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On the FINANCES of the UNITED STATES of AMERICA, 1861-67.

By LEONARD H. COURTNEY, ESQ.

[Read before the Statistical Society, May, 1868.]

ON the 4th March, 1861, Mr. Lincoln was admitted to office as President of the United States. The outstanding public debt of the Union was at that time \$68,482,686, or 13,696,537*l.*, at the exchange of 4*s.* per dollar, and was made up of the following particulars:—

Title.	Time to Mature.	Outstanding.	Date of Authorising Acts.
Loan of 1842	20 years	\$ 2,883,364 {	11th July, 1841 15th April, '42
„ '46	10 „	1,000	22nd July, '46
„ '47	20 „	9,415,250	28th January, 1847
„ '48	20 „	8,908,342	31st March, 1848
Texas indemnity	15 „	3,461,000	9th September, 1850
Old funded debt	demand	114,119	—
Treasury notes prior to 1857	„	104,812	—
„ 23rd Decem- ber, 1857 }	1 year	4,636,800	23rd December, 1857
Loan of 1858	15 years	20,000,000	14th June, 1858
„ '60	10 „	7,022,000	22nd „ '60
Treasury notes, 1860	1 year	10,000,000	17th December, 1860
Loan of February, 1861	20 years	1,936,000	8th February, '61
		68,482,686	

This amount is very small, but it may be observed that more than half of it was contracted under the four years of Mr. Buchanan's presidency, which were years of repeated deficits.

The census returns from 1820 downwards, furnished the following facts representing the national growth :—

	Population.		Decennial Increase.	Valuation (Real and Personal) Slaves excluded.
			Per cent.	\$
1820	9,638,131	—	33'13	—
'30	12,866,020	—	33'49	—
'40	17,069,453	—	32'67	—
'50	23,191,876	{ L 15,924,122 R 7,267,754 }	35'87	6,174,349,829*
'60	31,429,891	{ L 22,328,133 R 9,101,758 }	35'52	14,126,523,676†
* L (loyal) 4,728,247,586 R (rebel) 1,446,102,243. † L 10,659,418,009 R 3,467,105,667.				

The national income was derived entirely from customs duties and land sales, but the amount received from the latter scarcely sufficed to meet the annual charge for surveying the public domains. No internal or direct tax had been levied since the year 1816 ; a fact which may be partly explained by a reference to the second article of the constitution, which prescribes that "Representatives and "direct taxes shall be apportioned among the several States which "may be included within this union, according to their respective "numbers."

The customs duties of the union had been received at different times under many tariffs, some particulars of which are given in Appendix A.

The income and expenditure for the four years 1857-60 inclusive were—

Year ending 30th June, 1857	Income.	Expenditure.
	\$	\$
Year ending 30th June, 1857	68,631,514	66,627,405
„ „ '58 ...	46,557,570	73,943,893
„ „ '59 ...	53,405,071	68,965,070
„ „ '60 ...	56,064,608	63,154,832

The circulation of the union at the beginning of 1861 consisted of gold and silver, and notes issued under the authority of the several States by banks established within them. The amount of paper money in circulation on the 1st January, 1861, was \$202,000,000, of which \$150,000,000 had been issued in the loyal States, and about \$20,000,000 in the border States. The coin in circulation was estimated at \$275,000,000.

On the 2nd March, 1861 (two days before the admission of Mr. Lincoln to office), an act was passed authorising a loan of \$10,000,000, to be redeemable at any time after ten years on three months' notice, and at any time after twenty years without notice. The interest was not to exceed 6 per cent., and the loan was not to be issued below par. In case the proposals were not satisfactory, the president was authorised to issue treasury notes, bearing interest at 6 per cent., which notes, it was enacted, "shall be received in payment for all debts due to the United States when offered, and in like manner shall be given in payment for any sum due from the United States, *when payment in that mode is requested by the person to whom payment is to be made*, or for their par value in coin. And the faith of the United States is hereby pledged for the due payment of the interest and the redemption of the principal of the stock or treasury notes, which may be issued under the authority of this act."

The same act imposed new duties (see Appendix A), some of which may be advantageously stated here:—

Raw and clayed sugars,	three-fourths of a cent per pound.
Refined sugar,	2 cents per pound.
Sugarcandy,	4 "
Brandy,	first proof, \$1 a gallon } and so on in proportion to
Other spirits,	" '40 " } strength.
Liqueurs,	'50 a gallon.
Bay rum,	'25 "
Wines,	40 per cent. <i>ad valorem</i> .
Spirituous liquors not enumerated,	33½ per cent. <i>ad valorem</i> .
Beer,	in bottles, '25 a gallon.
" not "	" '15 "
Cigars from '20 to '60, and 10 per cent.	<i>ad valorem</i> per pound.
Tobacco, unmanufactured,	25 "
" manufactured,	30 "
Iron,	rates estimated at 20 per cent. and upwards <i>ad valorem</i> .

It will be observed that most of the articles comprised in this, the Morrill, tariff, as in all previous tariffs, were articles produced within the States; and the tariff, though defended on the ground of the insufficient revenue of the union, was of a character fitted rather to protect home manufactures than to increase the customs' receipts.

The financial situation at the entrance of Mr. Lincoln into office may be thus described; the available revenue being received from customs only, and being less than the annual expenditure, additional protective duties had just been sanctioned.

The formal secession of South Carolina had occurred in December; of Mississippi, Alabama, and other Southern States followed in January; and on the 12th April the bombardment of Fort Sumter began. On the 13th the garrison capitulated, and on

the 15th President Lincoln issued a proclamation calling for 75,000 volunteers for three months to suppress insurrectionary combinations, and commanding the combinations to disperse. In the same proclamation the president summoned an extra session of Congress on the 4th July following. On the 17th the Virginia Convention passed an ordinance of secession; and on the 19th President Lincoln issued a second proclamation declaring a blockade of the Southern ports.

The expenses of the war, up to the meeting of Congress, were partly defrayed by the negotiation of a loan authorised by an act of the previous February, which was issued in 6 per cent. bonds, at an average discount of 12 per cent., partly by the issue of treasury notes, partly by loyal contributions from the separate States and cities of the North, and for the rest debts were freely incurred by the executive Government. The monthly customs receipts at the New York Custom House, where two-thirds of the customs' revenue were ordinarily collected, showed that the new tariff had been followed by a decline in income.

	1859.	1860.	1861.
	\$	\$	\$
January	3,478,471	3,899,166	*2,050,202
February	3,328,688	3,378,043	*2,528,736
March	3,164,011	3,477,545	*2,489,926
April	3,212,060	2,444,268	†1,643,262
May	4,014,520	2,466,463	979,145
June	3,314,429	2,024,193	1,894,064
July	4,851,246	4,504,066	2,069,591
August	4,243,010	4,496,243	‡1,558,824
September	2,908,506	3,038,803	1,642,382
October	2,318,750	2,632,078	1,672,617
November	2,157,154	1,798,749	1,851,384
December	2,843,388	1,171,826	—
	39,834,233	35,331,443	—

* Tariff of 1857.

† March, 1861.

‡ 5th August.

On the 4th July Congress met.

The funded debt at the end of the year (30th June) had become \$90,867,828.

The income and expenditure of the past year may be thus abstracted:—

<i>Income, Year ending 30th June, 1861.</i>			<i>Expenditure, Year ending 30th June, 1861.</i>		
<i>Customs—</i>	\$	\$		\$	\$
1st quarter	16,119,831		Legislative, executive, } judicial, &c.	6,156,199	
2nd „	8,174,167		Foreign intercourse	1,142,973	
3rd „	9,772,574		<i>Miscellaneous, including—</i>		
4th „	5,515,552		Postal deficiency	4,064,234	
			Mail expenses, } subsidies, &c.	656,660	
	39,582,125		Mail services, } Congress, and } Government	450,000	
Land sales	870,658		Building post } offices, &c.	445,310	
Miscellaneous	892,199		Customs ex- } penses col- } lection	2,834,764	
			Customs draw- } backs	1,404,690	
Total revenue	41,344,983		Customs build- } ings	364,631	
			Lighthouses, } &c.	917,640	
<i>Loans under—</i>			Expenses col- } lecting re- } venue land } sales	211,734	
Act, 22nd June, 1860	7,022,000		Surveying pub- } lic lands	135,255	
„ 8th February, } 1861	16,339,966		Other expenses } land revenue }	—	
<i>Treasury Notes—</i>			Census ex- } penses	911,614	
Act, 22nd June, 1860 } „ 2nd March, '61 }	2,274,093		&c. &c. &c.	15,888,030	
„ 17th December, } 1860	10,010,900		Interior Department (In- } dian, &c.)	3,760,022	
„ 8th February, } 1861	6,214,750		War „	22,981,150	
„ 2nd March, 1861 }			Navy „	12,428,577	
					62,356,953
Total loans and notes	41,861,709		Interest on public debt	4,000,173	
			Redemption of stock and } payment of treasury } notes	18,221,708	
					22,221,881
Total receipts	83,206,693		Total expenditure	84,578,834	

The report of Secretary Chase contemplated an aggregate expenditure for the year 1861-62 of \$320,000,000; and he proposed that \$80,000,000 of this (representing the normal expenditure of the union, and \$5,000,000 by way of sinking fund) should be obtained from revenue, and \$240,000,000 should be levied by loans and

treasury notes. The secretary asked, however, for authority to raise \$250,000,000, viz.:—

\$

100,000,000 in 7-30 three-year notes.

100,000,000 „ 7 per cent. coupon bonds, thirty years to run.

and—

\$50,000,000 in 3-65 one-year notes, of \$10 and \$20 each, convertible into 7-30 notes, or not bearing interest, and payable on demand.

In order to obtain the revenue he desired, he recommended the imposition of additional duties on sugar and new duties on coffee and tea, which he estimated would produce \$20,000,000, and with some minor alterations would raise the revenue to \$60,000,000; and he proposed the imposition of a direct tax—

	\$	\$
Either one-eighth per cent. on all the real and personal property in the union, viz.	16,102,934,116	20,128,667
Or one-fifth per cent. on all the real and personal property in non-seceding States	10,900,758,007	21,801,156
Or three-tenths per cent. on realty only in non-seceding States	7,630,530,603	22,891,590

Or the adoption of some system of internal duties, which he held might be collected more cheaply than direct taxes, and might be made to bear mainly on articles of luxury.

In part performance of the recommendations of Mr. Chase, an act was passed (approved on 17th July, 1861), authorising him to borrow \$250,000,000 within twelve months; (1) in bonds, irredeemable for twenty years, bearing interest not exceeding 7 per cent.; or (2) in notes, not less than \$50, redeemable after three years, bearing interest at 7·30 per cent. The secretary was also authorised to issue, in exchange for coin, as part of the above loan, or to pay for salaries and duty, treasury notes of less than \$50, payable in one year from date, with interest at 3·65 per cent.; or payable on demand, with interest, provided that the total amount of notes not bearing interest should not exceed \$50,000,000. The secretary was authorised to negotiate any portion of the loan, not exceeding \$100,000,000, in Europe, and to fix the rate of exchange for payment of principal and interest in Europe. The ninth section runs, “The faith of the United States is hereby solemnly pledged for the payment of the interest and redemption of the principal of the loan authorised by this act.”

On 5th August, 1861, an act was passed authorising, among others, the following additional and new rates of duty:—

Sugars, raw and below No. 12	2	cents per pound.	
„ above 12, but not refined	2½	„	
„ refined	4	„	
„ candy	6	„	
Tea (first time of imposition)	15	„	
Coffee „	4	„	(See App. A.)

The several direct taxes indicated by the secretary were manifestly inconsistent with the constitutional provision, and none of them were adopted; but instead, the last-mentioned act of the 5th August imposed a direct tax of \$20,000,000 on the States, apportioning it according to the constitutional law; but as the seceding States were included in the apportionment, and the loyal States were allowed to repay themselves the advances they had previously made, very little of this loan was brought into the treasury.

The same act imposed an income tax, from the 1st January succeeding, at the rate of 3 per cent. on excess of all incomes of residents in the United States over \$800; and 5 per cent. on all incomes arising in the States of citizens resident abroad; proviso in each case that incomes derived from United States' securities should be taxed at 1½ per cent., and no more. It is not apparent by what reasoning this income tax, and the income taxes which have followed, have been reconciled with the constitution.

On the same day a second act was passed, authorising the secretary of the treasury to issue 6 per cent. bonds, payable at the pleasure of the United States twenty years after date, and to deliver same in exchange to any holder of the treasury notes issued under authority of act of 17th July, 1861, desiring the exchange; and the same act authorised the secretary to sell for any portion of the loan authorised by act of July, bonds payable not more than twenty years after date, bearing interest not exceeding 6 per cent.; at any rate not less than the equivalent of par for 7 per cent. bonds authorised by said act.

On the 6th August Congress adjourned.

Of the loans authorised by the act of 17th July, the associated banks of New York, Philadelphia, and Boston took—

\$	
50,000,000 in three years 7-30s on the 19th August, and	
50,000,000 „ „ 1st October.	

These bonds were taken at par, but as the banks could not negotiate them as quickly as they had hoped, they took, on the 1st December, a third instalment of \$50,000,000, in 5-20s, 6 per cent., at a rate equivalent to 7 per cent. The amount (including allow-

ance for interest accrued) paid the treasury was \$45,795,478. Meanwhile the treasury had issued a considerable portion of the \$50,000,000 demand, or currency notes, authorised by act of July.

On the 1st December the debt was \$267,540,035 an increase since the 1st July of \$176,672,207, accounted for by the issue of 7-30s, and 5-20s, and of demand notes.

Congress met for its ordinary session on the 2nd December, and the consideration of the financial situation was pressed upon them by the president and the secretary of the treasury. The serious character of the struggle had by that time become manifest, and the necessity of raising a larger income by taxation was recognised. On the one hand the customs' receipts had fallen much below Mr. Chase's anticipations, and he was constrained to reduce his estimate of revenue from existing sources to \$55,000,000; and on the other, the military estimates, based on a force of 300,000 men, were insufficient for an army of 550,000.

The additional appropriations made necessary by this increase, amounted to 214,000,000. Under these circumstances the secretary suggested that the direct tax should be raised so as to produce 20,000,000 from the loyal States; and that excise duties on spirits and tobacco, a legacy duty, stamps, and a tax on bank notes, should be imposed, to produce \$20,000,000 more; and he thought that the income tax might be modified so as to bring in \$10,000,000. He further recommended additional duties on tea, coffee, and sugar, which were imposed. (Tariff, 25th December, 1861, Appendix A.)

If all his proposals were adopted the revenue of the year would be \$90,000,000, and the secretary apologised for the largeness of the sum. With reference to the tax on bank notes, Mr. Chase suggested the creation of a national currency. There were two ways of doing this. The first was the gradual withdrawal from circulation of the notes of private corporations, and the substitution for them of United States' notes payable in coin on demand; but to this plan there were great objections, which he thus reviewed: "The temptation, especially great in times of pressure and danger, "to issue notes without adequate provision for redemption beyond "means, however carefully provided and managed; the hazard of "panics . . . ; the risk of a depreciated, depreciating, and "finally worthless, paper money; the immeasurable evils of dishonoured public faith and national bankruptcy." The second plan contemplated the preparation and delivery to approved associations of notes prepared for circulation under national direction, and to be secured, as to prompt convertibility into coin, by the pledge of United States' bonds and other needful regulations. It will be seen that the latter plan was ultimately adopted.

The following notes summarise the remainder of the secretary's report :—

	\$
The revenue for the quarter ending 30th Sep- tember, had proved to be	9,809,731
Estimate for remaining three quarters	27,000,000
The sums realised by loans to 1st December.....	197,242,588
Direct tax (estimate)	20,000,000
Unused borrowing powers	75,449,675
Available resources	329,501,994
 Expenditure, first quarter, actual	 78,239,733
Authorised appropriations	302,035,761
Appropriations asked for	143,130,927
Demands	543,406,422

showing an apparent deficiency of \$213,904,427, but of this the secretary thought no more than \$200,000,000 would be required in the year.

For the year 1862-63, supposing the war was not, as he hoped, brought to an auspicious termination before midsummer 1862, the following estimates might be hazarded :—

	\$
Civil list.....	23,086,971
Interior	4,102,962
War	360,159,986
Navy	45,164,924
Debt redemption	2,883,364
Interest	39,932,696
	<u>42,816,060</u>
Aggregate expenditure.....	475,331,245
 Customs	 45,800,000
Direct tax	20,000,000
Internal duties (including income tax)	30,000,000
	<u>95,800,000</u>
Deficiency	379,531,245

Recapitulating, the following amounts would be required by loans—

	\$
1861-62, balance of authorised loans	75,449,675
'61-62, to be raised under new enactments	200,000,000
'62-63, " "	379,531,245
	<u>654,980,920</u>
 On 1st July, 1860, public debt was	 64,769,703
" '61, "	90,867,828
" '62, " would be	517,372,802
" '63, " "	897,372,802

The statements of the secretary did not inspire confidence, and the public mind was disturbed by the affair of the "Trent" then pending. On the 17th December the associated banks mentioned resolved that they would not suspend specie payments, but a rapid withdrawal of specie ensuing they did suspend specie payments on the 30th of the same month.

The debt continued to increase with great rapidity, and in January Mr. Spaulding, as chairman of committee of ways and means, reported the existing debt at \$326,764,602, including \$50,000,000 of demand notes issued. In addition to this he stated that \$100,000,000 were due to contractors, and he estimated further expenses up to 1st July at \$243,235,387.

The prices of the stocks (6 per cents. were at 87 specie and 90½ paper) did not encourage an attempt to issue more, and it was proposed to issue \$150,000,000 in demand notes, not less than \$5 each, making them legal tender, but of these \$50,000,000 should be in lieu of the notes of July, 1861, which were payable in coin; and also to issue \$500,000,000 6 per cent. stock, for funding of those notes. On the 21st June, 1862, a joint resolution was approved declaring that a tax should be imposed which, with the tariff on imports, should secure an annual revenue of \$150,000,000. On the 12th February a short act was approved authorising the secretary to issue \$10,000,000 in demand notes in addition to the \$50,000,000 authorised by the act of 17th July; and this temporary expedient was immediately followed by an elaborate bill, embodying the secretary's recommendations.

The Senate amended the proposed measure by making the interest on the 5-20s payable in coin, and by appropriating customs' revenues for this purpose and for a sinking fund.

The act was approved on the 25th February, 1862, and as it was the first act formally authorising inconvertible paper, it may be proper to give a somewhat exact account of its provisions.

It authorised the secretary of treasury to issue on the credit of the United States \$150,000,000 United States' notes, not bearing interest, payable to bearer at the treasury of the United States, and of such denominations as he might deem expedient, not less than \$5 each; provided, however, that \$50,000,000 should be in lieu of the demand treasury notes authorised by act of 17th July, 1861, and provided amount of two kinds of notes together should not exceed \$150,000,000; "and such notes herein authorised shall be receivable in payment of all taxes, internal duties . . . due to the United States, except duties on imports, and of all claims and demands against the United States of every kind whatsoever, except for interest upon bonds and notes, which shall be paid in coin, and shall also be lawful money, and a legal tender in payment

“ of all debts, public and private, within the United States, except “ duties on imports and interest as aforesaid,”—said notes to be convertible in sums of not less than \$50 into 6 per cent. 5-20s; and to be received at par value as coin in payment of any future loans.

The act further enacts that, to enable the secretary of the treasury to fund the treasury notes and floating debt of the United States, he be authorised to issue, on the credit of the United States, 6 per cent. 5-20 bonds, not exceeding \$500,000,000 in amount, and not less than \$50 each; and the secretary is authorised to dispose of such bonds at their market value, for coin or treasury notes or United States' notes; and it is declared that “ all stocks, bonds, and “ other securities of the United States, held by individuals, corporations, or associations within the United States, shall be exempt “ from taxation by or under State authority.”

The act further authorises secretary to receive notes, in sums not less than \$100, on deposit for not less than thirty days, and to issue therefor certificates of deposit bearing interest at 5 per cent.; but notes so deposited may be withdrawn at any time after ten days' notice, provided that the interest should cease at the pleasure of the secretary, and that the aggregate should never exceed \$25,000,000.

The act further provides that “ all duties on imported goods “ shall be paid in coin, or in notes payable on demand heretofore “ authorised to be issued and by law receivable in payment of “ public dues, and the coin so paid shall be set apart as a special fund, “ and shall be applied as follows:—

“ First. To the payment in coin of the interest on the bonds “ and notes of the United States.

“ Second. To the purchase or payment of 1 per cent. of the “ entire debt of the United States to be made within each “ fiscal year after 1st July, 1862, which is to be set apart “ as a sinking fund, and the interest of which shall in like “ manner be applied to the purchase or payment of the “ public debt as the secretary of the treasury shall from “ time to time direct.

“ Third. The residue thereof to be paid into the treasury of “ the United States.”

It will appear subsequently that the provision enacting a sinking fund has never been observed; and the customs' receipts have been included in the general accounts of the treasury, instead of being applied separately as directed. It is proper to add that the power of Congress to issue inconvertible paper, and to enforce its reception in discharge of debts, was much questioned, and indeed formally denied, before the courts of the State of New York. Learned judges decided for and against the validity of the assumed

power, but on appeal to the court of appeals of that State the action of Congress was sustained. The defence chiefly rested on the clause of the constitution empowering Congress "to coin money and to regulate the value thereof," and the other article providing that "no State shall make anything but gold and silver coins a tender in the payment of debts."

I do not know whether the question was ever raised before the courts of other States,* or before the supreme court of the union. It appears to me to be certain, beyond all doubt, that the court of New York was wrong; but it need scarcely be added that the interpretation put on the powers of the legislature cannot now be practically questioned.

Whether unconstitutional or not, few will now deny that it was the origin of the later disorders of the Federal finances; and it also appears to be highly probable that this enactment more than any other excited the great distrust of American investments which followed in Europe. In the diplomatic correspondence, 1863, Mr. Pike, the United States' Minister at the Hague, writes under date 17th December, 1862:—

"The act making Government paper legal tender raised a general distrust in commercial and financial circles in Europe, which a promise to pay the interest on Government bonds in coin failed to allay. It was argued that the temper which prompted the greater assault on capital would not stick at the less when necessity prompted." And in the same month he wrote again:

"It is an often expressed hope in financial circles that our courts will declare the legal-tender enactment of last year to be unconstitutional. It is thought if this should be done, and Mr. Chase's recommendation be sustained by Congress, that our financial situation would soon again command the confidence of capitalists abroad."

If Mr. Pike's views were correct, and, writing in Holland, he was freed from an atmosphere of prejudice elsewhere prevalent, the result is a remarkable instance of the dangerous consequence of yielding to a tempting error.

The delay in the passage of the Loan Bill (25th February, 1862) had caused an accumulation of unpaid but audited claims, and on the 1st March an act was approved which authorised the secretary of the treasury to issue certificates of indebtedness, in satisfaction of audited and settled demands, in sums not less than \$1,000, payable in one year from date, or earlier at option of Government, and bearing interest at rate of 6 per cent. (amount unlimited).

* It was raised before the district court of Philadelphia, and the constitutionality of the act affirmed by two judges against one; but, in 1865, the court of appeals in Kentucky decided against its constitutionality.

After the passing of the act (25th February, 1862), the holders of the demand-notes issued under previous acts (\$50,000,000 17th July, 1801, and \$10,000,000 12th February, 1862) pointed out that the notes they held, though declared receivable for all dues payable to the United States, were by the last act excluded from the privilege of being paid in discharge of customs' duties, and were also not legal tenders, as the notes issued under the last act were declared to be.

A supplemental bill was approved on 16th March, 1862, declaring these earlier demand-notes receivable for import duties, and as legal tenders; also empowering secretary to purchase coin with any of the bonds or notes of the United States at such rates and upon such terms as he might deem advantageous; also empowering him to issue certificates of indebtedness in discharge of cheques drawn by disbursing officers upon sums placed to their credit, as well as in discharge of audited and settled accounts; also raising limit of temporary deposits at 5 per cent. from \$25,000,000 to \$50,000,000.

The financial history of the remainder of the year is uneventful, but during the whole of it Congress was engaged in considering the Inland Revenue Bill.

On the 1st March, 1862, the funded debt was stated to be \$352,989,710, and on the 29th May it had grown to be \$491,448,984, an increase of \$223,908,949 over the statement of the 1st December, accounted for as follows:—

	\$
7-30s	20,523,450
Demand notes	121,329,675
Deposits (ten days)	50,778,566
Certificates indebtedness	47,199,000
Oregon debt	570,550
5-20s (funded notes)	2,699,400
	<hr/>
	243,100,641
Less notes received	19,191,692
	<hr/>

It will be observed that the greater part had been raised by the issue of inconvertible paper, of certificates of indebtedness, and by the receipt of deposits payable at ten days' notice, the amount created in permanent debt (\$5,200) being very small.

Congress adjourned on the 17th July, but before doing so several important acts were passed. The Inland Revenue Act was finally approved on the 1st July, although it did not come into operation until the 1st September. Some attempt to exhibit its chief provisions will be found in Appendix B. They included excise duties, licence duties, assessed taxes, an income tax,* legacy duties,

* In substitution for that imposed on 5th August, 1861.

and succession duty, applicable, however, only to personalty exceeding \$1,000 in value. The income tax was 3 per cent. on excess of incomes over \$600 when the total income was less than \$10,000, and 5 per cent. when total was not less than \$10,000. With respect to the excise duties on manufactures, all manufacturers liable in respect of their manufactures to assessment were required to furnish to an assistant assessor sworn statements of the places, character, and proposed markets of their manufactures, and to make monthly returns of their products, sales, and deliveries. The duties were to be paid monthly on the values estimated by actual sales. All manufacturers not producing more than \$600 annually were exempt, but the exemption did not apply to cases where one person furnished materials and employed another to make them up.

It was thought that this act would produce an annual revenue of \$150,000,000.

Another act was approved on 11th July, 1862, increasing the power to issue notes and to receive temporary deposits.

Secretary authorised to issue additional \$150,000,000 in United States' notes, none to be less than dollar and not more than \$35,000,000; \$5 to be legal tender, and receivable in all cases except for import duties, and interest payable by United States on bonds, notes, and certificates of debt and deposit. Any holder may deposit \$50 or multiples of \$50, and receive in exchange 5-20 bonds bearing interest at 6 per cent., subject to proviso that secretary may pay such deposited notes in coin. Limitation of temporary deposits raised to \$100,000,000. Secretary may, under provisions of act of 17th July, 1861, borrow, at any time within twelve months, such part of \$250,000,000 authorised thereby as may not be borrowed. Act of 25th February, 1862, incorporated.

Another act was approved on 14th July, 1862, increasing import duties (see Appendix A), but it did not come into operation before the 1st August.

Two more acts remain to be noticed. One, approved on the 16th July, 1862, imposing duty, additional to that enacted 1st July, 1862, of 1 cent per pound on all brown muscavado or sugars manufactured in United States.

Another, approved 17th July, 1862, empowering secretary of treasury to issue postage and other stamps, to be exchanged on demand for United States' notes, and forbidding any bank to put into circulation notes of less than one dollar; immediately after which Congress adjourned.

The amount of receipts and expenditure of the year 1861-62, though not fully known till some time later, may be here stated :—

<i>Income.</i>		<i>Expenditure.</i>	
<i>Customs—</i>	\$		\$
1st quarter	7,198,603	Civil, foreign, and miscellaneous....	21,408,491
2nd „	8,309,066	Interior	3,102,986
3rd „	14,618,558	War	394,368,407
4th „	18,930,170	Navy	42,674,570
	49,056,397		461,554,454
Land sales	152,204	Interest on debt	13,190,328
Direct tax	1,795,332	Treasury loans re- funded	52,928,207
Miscellaneous	931,788	Treasury notes re- deemed	43,168,711
	51,935,721		96,096,918
Loans negotiated	113,838,411		
7-30s	166,412,585		
5-20s	13,990,600		
Certificates indebted- ness	49,881,980		
Treasury notes demand „ legal } tender	60,030,000 125,538,884		
	529,692,460		
	581,628,181		570,841,700

Of the war expenditure, \$160,034,000 had been spent in the last quarter. The amount of the debt at the end of the year was \$514,211,371, the particulars of which are given in Appendix C.

When Congress assembled in December, 1862, Mr. Secretary Chase presented his report for the year 1861-62. It began by recapitulating the circumstances under which the estimates for the year had been based, and the causes which had compelled an increase of them in December, 1861. The estimated public debt on 30th June, 1862, was then taken at \$517,372,802; the debt had proved to be \$514,211,372, exclusive of unascertained claims, not supposed, however, to exceed the value in the treasury, or \$13,043,546. It was, however, impossible to hope that the debt on 1st July, 1863, would be, as estimated, below \$900,000,000; this estimate must be increased to \$1,122,297,403, and the estimate of the debt on 1st July, 1864, could not be put below \$1,744,685,586.

<i>Estimates.</i>		<i>Revenue.</i>
		\$
Receipts for 1862-63 (realised as to first quarter).....		180,495,345
On account of loans negotiated up to 1st December....		200,129,717
„ „ authorised but not realised		131,021,197
		511,646,259
Expenditure exclusive of principal } of debt	893,346,321	
Debt repayable	95,212,456	
	988,558,777	
Estimated unexpended appropriations	200,000,000	
		788,558,777
To be provided by Congress		276,912,517

The estimated expenditure for 1863-64, supposing the war continued, was taken at—

	\$
Civil list	25,081,510
Interior	10,346,577
War	738,829,146
Navy	68,257,255
	<hr/>
	842,514,488
Interest on public debt	33,513,890
Principal	19,384,804
	<hr/>
	895,413,183
Add undrawn expenditure, 1862-63.....	200,000,000
	<hr/>
	1,095,413,183
Deduct undrawn expenditure, 1863-64.....	250,000,000
	<hr/>
	845,413,183

Estimated receipts :—

Customs	70,000,000	
Internal duties	150,000,000	
Lands	25,000	
Miscellaneous	3,000,000	
	<hr/>	223,025,000
		<hr/>
To be provided for	622,388,183	
Add deficiency, 1862-63.....	276,912,517	
	<hr/>	
Aggregate deficiency	899,300,701	
	<hr/>	

The money raised in December, 1861—December, 1862, had been principally obtained as follows :—

	\$
Currency notes	200,000,000
Certificates deposit	79,798,650
„ indebtedness	87,363,241
Three years 7-30s	50,000,000
5-20s	22,000,000
„ converted	23,750,000
	<hr/>
	462,911,891
	<hr/>

The unused borrowing powers of the Government consisted of the following items:—

	\$
Balance of 250,000,000 currency notes	27,067,889
„ 100,000,000 deposits	20,201,350
„ 40,000,000 estimated limit of fractional currency	36,115,200
„ 100,000,000 estimated limit of certificates of indebtedness	12,636,758
„ 5·20s, but estimated amount of them which could be floated under exist- ing laws	35,000,000
	<hr/>
	131,021,197
	<hr/>

The secretary then addressed himself to the question, how the current deficiency of \$276,000,000 should be raised.

He congratulated the country on the fact that recent loans had been issued at lower rates of interest; but as the paper currency was at that time at a discount of 30 per cent., and the loans were paid in paper, while the interest was payable in gold, the congratulation was fallacious.

He proceeded to argue that the premium did not prove an over-issue of paper money, because the total amount of paper issues was not greater than the total amount of issues and of coin in circulation in previous years, and coin had ceased to circulate as money. Admitting, however, that there was a redundant paper currency, he contended that it was not due to an over-issue of United States' paper, because the contractors for the last loans had found it difficult to procure United States' paper with which to complete their contracts, and he drew the conclusion that the banking corporations of the country had improperly increased the volume of their notes in circulation. The secretary therefore proposed a gradual repression of existing issues, and the organization of banking associations, through which a safe and uniform currency, such as he had previously advocated, might be emitted, while the advantage of floating at least \$250,000,000 in 5·20 bonds would be incidentally secured. If, in addition to the adoption of this suggestion, the secretary were empowered to sell bonds *below market value*, so as to give a margin of profit to contractors, he thought he should be able to obtain the necessary means for the year. On 18th December, Mr. Stevens, as chairman of committee of ways and means, proposed a new plan. He urged the propriety of calling in and cancelling the stock issued under obligation making interest payable in gold; and of issuing \$500,000,000, legal

tender notes, and \$1,000,000,000, 6 per cent. bonds, interest payable in paper.

On the 1st January, the balance of the loan of 1842 became due, and was paid in gold, the necessary amount having been borrowed from the banks for the purpose. The debt then became \$721,668,727 (Appendix C), besides arrears estimated at \$99,117,597; and to meet the arrears and other pressing necessities, Congress passed a joint resolution, approved on the 17th January, authorising the secretary to issue \$100,000,000 additional demand notes.

On this 1st January President Lincoln issued his proclamation, the intention to issue which had been notified by him on the 22nd September, or 100 days previous, wherein by "virtue of his power "as commander-in-chief," and "as a fit and necessary war "measure," he proclaimed the freedom of all slaves in the States designated as in rebellion, enjoining "upon the people so declared "to be free to abstain from all violence unless in necessary self-defence," and recommending them "to labour faithfully for "reasonable wages," adding—

"And upon this act, sincerely believed to be an act of justice, "warranted by the constitution upon military necessity, I invoke the "considerate judgment of mankind, and the gracious favour of "Almighty God."

On the 25th February the Banking Act was approved. It was repealed by an act approved 3rd June, 1864, but as its provisions were by the same act for the most part re-enacted, and the associations under the earlier act were enabled to continue under the second, it is more convenient to give the principal sections of the act of February, 1863, noting the modifications they subsequently received.

Among its provisions are clauses—

Establishing in Treasury Department a bureau of currency and comptroller of the currency, authorising banking associations to be formed by any number of persons not less than five:

Provided capital stock never less than \$50,000, and in cities of not less than 10,000 persons [by act 3rd June, 1864, 6,000 persons] never less than \$100,000:

30 per cent. of capital [50 per cent., act 1864] to be paid up at commencement of business and remainder in instalments of not less than 10 per cent., at intervals of not more than two months [one month 1864]:

Associations may remain incorporated for any period not exceeding twenty years; each shareholder liable to amount of shares held by him in addition to amount invested in such shares.

Every association, before commencing business, must transfer to treasurer of the United States any United States' interest-bearing

bonds not less than one-third of the capital stock paid in [not less than \$30,000, act 1864], and shall be entitled to receive thereupon, from comptroller of the currency, circulating notes of different denominations (\$5 to \$1,000), in blank, registered, and countersigned, equal in amount to 90 per cent. of the current market value of the United States' bonds so transferred, but not exceeding the par value thereof.

Whole amount not to exceed \$300,000,000, of which one-half to be apportioned among States, &c., according to representative population, and one-half to be apportioned with regard to existing banking capital resources, and business of States, &c.

Associations to pay treasury 1 per cent. per annum on circulation to provide for expenses, "and in lieu of all taxes upon the "circulation . . . or upon the bonds deposited for the security of the same."

The circulating notes thus issued to be received for all debts to the United States, except import duties, and for all debts from United States, except interest on public debt.

The associations authorised by act not to issue any other notes.

All banks not organised under act, and issuing notes to make semi-annual returns. Upon failure of any association to redeem notes it has issued, the comptroller may declare forfeited and cancel or sell the bonds deposited, and give notice to the holders of notes to present them for payment and the same shall be paid as presented, "and for any deficiency in the proceeds of the bonds pledged . . . "to reimburse to the United States the amount so expended in "paying the circulating notes of such association, the United States "shall have a first and paramount lien upon all the assets of such "association." [There is no other indication apparent of any guarantee by the United States of full payment].

Banking association to receive, by power of attorney from comptroller, interest on bonds transferred until failure to redeem notes.

Upon depreciation of market value, comptroller may demand deposit of supplementary bonds, and in case of failure to deposit them may withhold interest and invest in supplementary bonds; but such supplementary bonds may be delivered to association when former market value is regained.

The stockholders collectively must not be liable to association, as debtors or sureties, or both, to an amount greater than three-fifths of the capital stock. [This provision, to the infraction of which no penalty was attached, does not appear in the act of 1864.] Qualification, tenure of office and oath of directors.

Association must keep in hand in lawful money 25 per cent.

of aggregate amount of notes and deposits. Every association to observe the usury laws of the State in which it may be located.

No person or firm to be ever liable to association for more than one-third [one-tenth, act 1864] of its capital. Congress reserves right at any time to alter, amend, or repeal act.

A loan bill, approved on the 3rd March, 1863, embodied the recommendations of Mr. Chase, with such additions as had been proved to be necessary by intermediate events. The secretary of treasury was empowered to borrow sum not exceeding \$300,000,000 for current year and \$600,000,000 for the next fiscal year, in exchange for coupon-bonds payable not less than ten and not more than forty years from date at pleasure of Government, bearing interest at rate not exceeding 6 per cent. in coin.

Secretary to dispose of said bonds on such terms as he may deem advisable, and all such bonds to be exempt from taxation by or under State or municipal authority. Secretary also authorised to issue \$400,000,000 in treasury notes, payable at pleasure of United States, at terms not exceeding three years, bearing interest at rate not exceeding 6 per cent., such interest and interest on certificates of indebtedness and deposit thereafter issued to be payable in lawful money.

Said treasury notes may be exchanged for United States' notes equal in amount to treasury notes, and interest accrued at time of payment of interest next preceding exchange; and the secretary is authorised to issue United States' notes to extent of \$150,000,000 for special purpose of such exchanges.

Secretary further authorised, if required for payment of army and navy and other creditors, to issue United States' notes to extent of \$150,000,000, which shall be lawful money and legal tender, except for import duties and interest on debt; and so much of acts 25th February, 1862, and 11th July, 1862, as restricts the negotiation of bonds to market value, is repealed; and holders of notes issued under these acts must present them for exchange for bonds on or before 1st July, 1863.

Secretary also empowered to issue fractional currency in lieu of postage currency to extent not exceeding \$50,000,000.

Secretary may receive gold on deposit, and issue certificates therefor.

In the same act were provisions that—

Banks issuing notes as currency should pay, from and after 1st April, 1863, *half-yearly* duty at rate of 1 per cent. on excess of circulation over following limits :—

			\$
90 per cent. of capital when capital does not exceed			100,000
80	"	exceeds \$100,000 and not exceed	200,000
70	"	200,000	300,000
60	"	300,000	500,000
50	"	500,000	1,000,000
40	"	1,000,000	1,500,000
30	"	1,500,000	2,000,000
25	"	2,000,000	

N.B.—Separate branches to be treated as separate banks.

And, in addition, a *half-yearly* duty of one-half per cent. upon the circulation not otherwise taxed. Banks organised under act 25th February, 1863, chapter 58, to pay same duties.

Further, all banks issuing notes for fractional parts of a dollar to pay *half-yearly* duty of 5 per cent. on such issue.

Further, all banks (except savings banks) receiving deposits on demand to pay *half-yearly* duty of one-eighth per cent. on average excess of deposits over issue.

On the same day an Act was approved amending the Inland Revenue Act of 1st July, 1862. (See Appendix B.)

The premium on gold having rapidly risen from 33 on the 1st January, to 57 on the 1st February, and 71 on the 1st March, Congress included in the act last referred to clauses restricting the sale of gold. They provided that all contracts for the sale of gold should be in writing, and be stamped with adhesive stamps at the rate of one-half per cent.; declared all contracts not in accordance with the act utterly void, and entitled any party to such contract to recover back for his own use any money paid on account of it.

On the 14th March Congress adjourned.

By the 8th May the demand-notes issued had reached the limit of \$400,000,000, and the total debt had grown to \$992,381,886, exclusive of arrears.

The freedom of negotiation conceded to the secretary had by this time enabled him to dispose of Government bonds in large amounts, the daily subscription through Mr. Jay Cooke and his sub-agents ranging from \$1,500,000 to \$2,500,000.

On the 26th May the first formal declaration was made by the secretary of the treasury, in a letter written by his orders to the President of the Revere Bank, Boston, that the five-twenties would be redeemed in gold.

On 1st July debt amounted to \$1,098,793,000 (see Appendix B), and the annual charge for interest in gold was \$30,141,080, and in paper \$11,786,900.

The receipts and expenditure for the year 1862-63 were as follows:—

<i>Income, Year ending 30th June, 1863.</i>		<i>Expenditure 30th June, 1863.</i>	
	\$		\$
Customs	69,059,642	Legislative, executive, &c.....	6,350,618
Land sales	167,617	Foreign intercourse	1,231,413
Direct tax	1,485,104	<i>Miscellaneous, including—</i>	
Internal revenue....	37,640,788	Postal deficiency	249,314
Miscellaneous	3,046,615	Californian route	500,000
	111,399,766	Building post } offices	83,740
<i>Loans—</i>		Compensation, } release of } slaves, (D.C.)	993,406
7-30s	17,263,450	Loan expenses	1,782,456
5-20s	175,037,259	Drawbacks in- } ternal duties }	632,507
United States' } notes	291,260,000	Drawbacks cus- } toms	3,312,474
Certificates in- } debtedness }	157,479,261	Customs ex- } penses of col- } lection	3,238,936
Fractional } currency }	20,192,456	Lighthouses, } &c.	873,085
Temporary } loan 25th } February, } 1862..... }	115,226,762	Land sales ex- } penses	111,254
Miscellaneous ...	223,174	Land sales } savings	74,346
	776,682,362	Other expenses....	—
	888,082,128	Interior (Indian)	15,671,890
		War Department	4,216,520
		Navy	599,298,600
			63,211,105
		Interest on debt	24,729,847
		Payment loans and tem- } porary debts	181,086,635
			689,980,148
			205,816,482
			895,796,630

The direct tax had been estimated by Mr. Chase in December previous at more than \$11,000,000, but the deficiency was accounted for by reimbursements to the States for military supplies and services. The internal revenue had been estimated at \$85,000,000, but the estimate had proved wholly fallacious, and it was mainly owing to this error that the estimated resources of \$180,495,000 (including a balance in hand of \$13,000,000), had fallen to \$124,443,000 (including same balance).

In July Vicksburg and Port Hudson fell.

On the 31st August, the pay of the army becoming due, Mr. Secretary Chase borrowed \$50,000,000 from the banks, at 6 per cent., until November, when the debt was to be redeemed by delivery to them of 5 per cent. interest bearing and legal tender notes redeemable in two years. In his letter to the associated bankers, Mr. Chase remarked that "being legal tender for their face, excluding interest,

“the notes cannot fall below legal tender par. Bearing interest “they cannot materially affect the circulation with reference to “gold.” As a matter of fact, however, the premium on gold ran from 26 in August to 33 in September and 47 in October.

Congress met early in December, and the report of the secretary of the treasury was duly presented to it. Mr. Chase stated the transactions of the previous year (given *ante*) and proceeded to submit his estimates of the current year. The latter were as follows:—

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	72,562,018	Civil Service.....	34,267,811
Internal revenue.....	77,599,713	Interior.....	7,840,313
Lands	436,182	War	885,479,511
Miscellaneous	5,641,542	Navy	112,979,186
			1,040,566,824
	156,239,456	Interest on debt	59,165,136
Loans	594,000,000		1,099,731,960
		Deduct unexpended } appropriations	350,000,000
	750,239,456		749,731,960

It would follow that the debt on the 1st July, 1864, might be taken at \$1,692,793,181, or, allowing for certain hypothetical deductions, at \$1,684,150,042.

Mr. Chase also submitted his estimates for 1864-65.

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	70,000,000	Balance former appro- } priations	350,000,000
Internal revenue.....	125,000,000	Civil service	27,973,194
Lands	1,000,000	Interior.....	9,631,304
Miscellaneous	5,000,000	War	536,204,127
		Navy	142,618,785
			1,066,427,411
	201,000,000	Interest on debt	85,387,677
			1,151,815,088
		Deduct unexpended } appropriations	400,000,000
			751,815,088

Allowing again for certain small balances, the debt on the 30th June, 1865, might be taken as increased to \$2,231,935,190.

But while submitting estimates showing large loans, the secretary urged upon Congress the necessity of increasing the revenue.

He recommended an increase in the internal duties, especially on bank notes, spirits, and tobacco, and the imposition of a cotton duty.

He again took credit for a reduction in the rate of interest on loans negotiated. He suggested the expediency of removing the limit on the amount of temporary deposits, and the propriety of an authority to borrow in some form \$300,000,000 for the current, and \$500,000,000 for the ensuing fiscal year.

The comptroller of the currency (Mr. McCulloch), made his first annual report on the national banks, suggesting many amendments in the act, most of which were adopted in the subsequent act already mentioned.

On the 22nd December Mr. Jay Cooke, as subscription agent, advertised that he was prepared to exchange interest-bearing legal-tender notes for non-interest-bearing legal-tender notes to extent of \$35,000,000. The interest payable on notes so issued was 5 per cent., and notes under \$100 were payable in one year from 1st January, 1864, with interest at maturity; notes of \$100 and upwards had coupons attached representing half-yearly interest, and were redeemable two years from 1st January, 1864.

It appears to have been thought that this exchange would result in the withdrawal of part of the notes in circulation, and that this would produce a decline in the premium of gold.

It was soon seen that if the coupons were torn off those notes bearing coupons, the notes themselves were as well adapted for circulation as any other, and, though the secretary issued a notice (under what sanction does not appear) that he would pay no coupons unless the notes to which they appertained were simultaneously produced, the notes still continued in circulation. The immediate object of the secretary was thus frustrated; but this was comparatively unimportant, if, as would seem, his theory was fundamentally incorrect.

At this time certificates of indebtedness issued in payment of supplies sold at 2 to 6 discount.

In the course of the month of March certain important acts were adopted.

An act was approved on 3rd March, 1864, in lieu of so much of act of 3rd March, 1863 (chapter 73)—

Secretary authorised to borrow during current fiscal year to extent not exceeding \$200,000,000, on coupon-bonds redeemable at pleasure of the Government after any period not less than five years, and payable at any period not more than forty years in coin,

bearing interest not exceeding 6 per cent. in coin, such bonds exempt from taxation by or under State or municipal authority.

Also secretary authorised to issue 5-20 bonds to subscribers who had subscribed before 21st January, 1864, to extent of \$11,000,000, notwithstanding such subscriptions were in excess of \$500,000,000.

Act of 7th March, 1864 (Appendices A and B)—

Duty on spirits, on basis of first proof, distilled before 1st July next, to be 60 cents per gallon; duty on cotton to be 2 cents per lb.; additional duty on spirits imported previous to 1st July, of 40 cents per gallon.

A resolution, approved 17th March, authorising secretary to dispose of gold in treasury not necessary for payment of interest, provided that obligation to create sinking fund according to act 25th February, 1862, shall not be impaired.

At the end of March the treasury department gave instructions to the sub-treasurer at New York to issue certificates for gold, receivable for duties, at $\frac{1}{4}$ per cent. below the market price. Such was the demand for these certificates, which gave at times a margin of 5 to 15 per cent., that applicants waited near the sub-treasury from 4 P.M. till 10 the next morning. These sales continued from 29th March to 16th April, and the certificates sold in a day rose from \$99,186 to \$1,076,698; but so much dissatisfaction arising, *especially as the issue was confined to New York*, it was suspended.

On 12th April Mr. Secretary Chase addressed a letter to Mr. Fessenden, which was read in the Senate, remarking that—

“Notwithstanding the diminished amount of United States’ notes in circulation and the gradual withdrawal from use as currency of interest-bearing United States’ notes . . . the price of gold continues to advance. This effect can only be attributed to one or two causes, and is probably due in part to each. First, the increase of the notes of local banks; and secondly the effects of speculators;” and the secretary commended to the consideration of the Senate two bills for preventing these operations.

In April, 1864, the legislature of the State of New York resolved that the interest and principal of all its debts should be paid as accruing in paper, reversing so far their resolution of April, 1863, which declared that the interest payable to foreign holders should be paid in gold. Governor Seymour, by message, remonstrated against the resolution, and addressed a circular to the merchants of the State against it; but although the Chamber of Commerce of New York city unanimously supported him, and voted subscriptions in aid of the deficiency, relying upon the hope “that better counsels will prevail among our legislators and the State repay what is now advanced;” the legislature declined to accept the proffered aid.

It is believed that New York was not the first State which thus evaded its obligations, and ultimately all indebted States, with the exception of Massachusetts and perhaps Rhode Island, followed the same dishonest course.

At this time the expenditure of the Government averaged \$2,500,000 a-day, the actual increase of the debt between the 2nd February and the 14th May (102 days) having been from \$1,473,225,000 to \$1,730,870,000 or \$257,645,000, and more than two-thirds of this increase had been occasioned by an issue of the interest-bearing legal-tender notes.

An act approved on the 3rd June repealed the national currency act of 25th February, 1863, but in effect re-enacted it with such minor variations as have been noted in the abstract of the first act and the following variations.

The provision requiring every association to keep in hand, in lawful money, 25 per cent. of aggregate circulation and deposits was restricted to associations in seventeen of the principal cities of the union, and other associations were required to keep no more than 15 per cent., and of this three-fifths might consist of balances due from associations in the said principal cities. The associations in the said cities again were to make their notes redeemable in New York, and to keep one-half of their reserve there.

In lieu of the tax of 1 per cent. per annum on circulation it was provided that each association should pay—

$\frac{1}{2}$	per cent.	each half-year	on	circulation
$\frac{1}{4}$	"	"		deposits
$\frac{1}{4}$	"	"		{ its stock over and above such part as might be invested in United States' bonds.

An act, 17th June, 1864, made time-bargains in gold unlawful, but it was repealed on the 2nd July following.

An act, 30th June, 1864, imposing a new tariff to come into operation on 1st July (see Appendix A).

An act approved 30th June, 1864, secretary authorised to issue coupon bonds to extent of \$400,000,000, redeemable at pleasure of Government at any period not less than five nor more than thirty years, or if deemed expedient payable at any period not more than forty years from date. Not less than \$50 each, and interest payable at 6 per cent. half-yearly in coin. Secretary to dispose of bonds at his discretion. Usual exemption from State or municipal taxation.

Secretary authorised to issue, as part of said loan, treasury notes to extent of \$200,000,000, payable at any time not exceeding three years after date, or redeemable at any time after three years from date, with interest not exceeding $7\frac{3}{10}$ ths per cent. in lawful money.

So much of the law approved 3rd March, 1864, has limited the loan authorised thereby to the current fiscal year repealed, and borrowing powers given by act 3rd March, 1863, cancelled, except as regarded \$75,000,000 in bonds already advertised.

Treasury authorised to receive United States' notes and national bank notes on deposit-certificates payable at ten days' notice, with interest not exceeding 6 per cent., to extent of \$150,000,000; and secretary to issue and hold in reserve for payment thereof United States' notes, not exceeding \$50,000,000, including amount already applied in such payment.

Secretary authorised to issue fractional currency, provided that whole amount of all descriptions of notes or stamps less than \$1 issued as currency shall not exceed \$50,000,000.

A third act, 30th June, 1864, remodelling internal revenue (Appendix B).

On the same day Mr. Chase resigned, and after an abortive nomination of Governor Tod, of Ohio, Mr. Fessenden of Maine was nominated, and approved as his successor.

The receipts and expenditures for the year ending 30th June, 1864, were as follows:—

<i>Receipts.</i>			<i>Expenditure.</i>		
	Estimated.	Actual.		Estimated.	Actual.
	\$	\$		\$	\$
Customs	72,562,018	102,316,152	Civil list	34,267,811	27,505,599
Lands	436,182	588,333	Interior	7,840,814	7,517,930
Miscellaneous	5,641,542	47,511,448	War	885,479,511	690,791,842
Direct tax (arrear)	—	475,648	Navy	112,979,186	85,733,292
Internal revenue	77,599,713	109,741,134		1,040,566,824	811,548,666
	156,289,456	260,632,717	Deduct unexpended } appropriations.... }	350,000,000	
Loans.....	—	730,642,410		690,566,824	
		991,275,128	Interest on debt	59,165,136	53,685,421
				749,731,960	865,234,087
			Redemption of debt	—	112,527,526
					977,761,613

The excess in miscellaneous receipts was due to the premium on gold sold, and to commutation money.

The internal revenue being dependent in a great measure on the range of prices, had increased in nominal amount with the rise in the premium on gold.

The loans raised during the year were—

	\$
Fractional currency	2,702,421
5-20s (25th February, 1862)	321,557,283
„ (17th July, 1861)	30,565,875
10-40s (3rd March, 1864)	73,337,600
20s („ '63)	42,141,771
United States' notes	43,859,821
1-year notes (3rd March, 1863)	44,520,000
2-year „ „	152,864,800
3-year „ „ notes	15,000,000
Certificates indebtedness (balance over amount redeemed)	4,098,758
	<hr/>
	730,642,410

The amount of debt became \$1,733,810,119.

A joint resolution, approved 4th July, 1864, providing that in addition to the income duty already imposed, there should be levied on 1st October, 1864, a special income duty at rate of 5 per cent. on all sums exceeding \$600.

On assuming office on the 5th, Mr. Fessenden found himself, as he afterwards acknowledged, in a very embarrassing position. The balance in the treasury was less than \$19,000,000, the unpaid requisitions were nearly \$72,000,000, and the amount of certificates of indebtedness outstanding \$161,796,000. The prospect of negotiating a loan was not flattering, as an advertisement for a loan of \$33,000,000, advertised on the 25th June, had been withdrawn, because the tenders for it were not such as could be accepted. The necessity of obtaining was however pressing, and Mr. Fessenden visited New York, in hopes that at a personal interview he might negotiate a loan of \$50,000,000 with the banks, but his efforts were unsuccessful.

At that time the borrowing powers of the secretary consisted of—

33,000,000 balance of the	5-20s of 1861.
127,000,000 „	10-40s „ '63.
400,000,000 in bonds or treasury notes,	under act 30th June, 1864.
Unlimited certificates of indebtedness.	
78,000,000 balance of limit of temporary deposits.	
50,000,000 act 30th June, 1864, currency in payment of deposits.	

In this emergency the secretary followed, possibly unconsciously, the course pursued by Mr. Pitt under similar circumstances.

On 25th July, 1864, he issued an address to the people of the United States, exhorting them to subscribe to the loans authorised by the act approved on 30th June. He reminded the nation that the war had been proclaimed and carried on by themselves, and apologised for what had been condemned as “undue timidity and tardiness of action on the part of Congress” in imposing more

extensive and vigorous taxation. "Legislators, like all others," he said, "have much to learn in a new condition of affairs. An entirely new system was to be devised, and that system must necessarily be the growth of time and experience. It is not strange that first efforts should have proved imperfect and inadequate. To lay heavy burdens on a great and patriotic people in such a manner as to be equal, and as to occasion the least amount of suffering or annoyance, requires time and caution and vast labour; and, with all these, experience is needful to test the value of the system and to correct its errors." He proceeded to declare that the Internal Revenue Act had at least exceeded in efficiency the most sanguine expectations, not unfrequently bringing in a million in a day; and concluded: "The denomination of the notes proposed to be issued . . . place these securities within the reach of all who are disposed to aid their country. For their redemption the faith, honour, and prosperity of that country are solemnly pledged. A successful issue to this contest, now believed to be near at hand, will largely enhance their value to the holders, and, peace once restored, all burdens can be lightly borne. . . . I appeal with confidence to a loyal and patriotic people, and invoke the efforts of all who love their country and desire for it a glorious future to aid this Government in sustaining its credit, and placing that credit upon a stable foundation."

The success of this appeal was not what he had hoped, and Mr. Fessenden was compelled to satisfy the arrears of pay of the army by offering them 5 per cent. and 7-30 notes of small denominations. "He was gratified to find that the latter was readily taken, to an extent exceeding \$20,000,000, our gallant soldiers in many instances not only receiving them with alacrity, but expressing their satisfaction at being able to aid their country by loaning money to the Government."

Subsequently, on the 9th September, Mr. Fessenden was able to negotiate the unissued balance of the 5-20s of 1861 (\$31,000,000) at a small premium, and on the 14th October he negotiated a loan of \$40,000,000 in 5-20s of 1864 at about par, receiving, however, one-fourth of the subscription in certificates of indebtedness.

In November Mr. Lincoln was re-elected president, every State sharing in the election concurring in the renewal of trust, except Delaware, Kentucky, and New Jersey.

Congress met on the 6th December. In presenting his first (and, as it proved, his last) report, Mr. Fessenden reviewed the financial measures of Congress and the Government from the beginning of the war. He proceeded to prove the impossibility of precision in framing estimates, and of fixing upon any policy not subject to the contingencies of the hour. The resort to an incon-

vertible currency had been unavoidable, but “the idea of a specie basis was not lost sight of, as the payment of interest on long loans in coin was amply secured. And though in several of the acts authorising the issue of bonds at long periods, payment of the principal at maturity in coin is not specifically provided, the omission, it is believed, was accidental. . . . It is respectfully recommended to remove all doubt upon this point by proper legislation.”

After stating the receipts and expenditure of the past year (see *ante*), Mr. Fessenden proceeded to submit his estimates for the current year (realised as to the first quarter) :—

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	70,271,091	Civil service	35,564,911
Lands	642,185	Interior	11,551,774
Internal revenue	249,562,859	War	963,679,672
Miscellaneous	24,020,171	Navy	143,222,560
Direct tax	16,079		
		Interest on debt	1,153,918,920
			91,810,214
	344,512,389		
Increase on internal revenue if proposals adopted	50,000,000	Deduct unexpended appropriations	1,245,729,135
Certificates of indebtedness newly issued ... }	75,000,000		350,000,000
		Add debt maturing, certificates in-debtedness, &c. }	895,729,135
			163,353,320
	469,512,389		
			1,059,082,455

The increase of debt on the transactions of the year would be a little in excess of \$500,000,000; and this, added to the amount on the 1st July, 1864, raised the estimate of the public debt, on the 1st July, 1865, to \$2,223,064,677.

The estimates for the year 1865-66 were—

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	70,000,000	Balance unexpended } appropriations	350,000,000
Internal Duties	300,000,000	Civil service	33,082,097
		Interior	14,196,050
Lands	1,000,000	War	531,758,191
		Navy	112,219,666
Miscellaneous	25,000,000		
		Deduct unexpended	1,041,256,005
			350,000,000
		Interest on debt	691,256,005
		Debt maturing (balance)	127,000,000
	396,000,000		47,365,000
			865,621,005

Shewing a value of \$469,621,005; and the estimate of debt on 1st July, 1866, would be \$2,645,320,682.

The secretary recommended the appointment of a commission to inquire as to profitable sources of revenue, and devise improvements in the mode of collection. He suggested a tax on unmanufactured tobacco, the abolition of any exemption on the imposition of the income tax and the adoption of a scale, and called the attention of Congress to the possibility of making the public domain (especially the mineral lands) a basis for the redemption, hinting at the same time doubts of the wisdom of the Homestead Law. Referring to the clause in the act of 25th February, 1862, creating a sinking fund, Mr. Fessenden said that the action of a sinking fund in time of war was nugatory, and "for this reason no attempt to carry out this provision has yet been made." It would seem that the words "as the secretary of the treasury shall from time to time direct" (see *ante*) had been construed to give the secretary power to suspend the action of the provision altogether, their simple meaning being that the secretary might, at his discretion, buy up or redeem the debt with the funds accumulating. Mr. Fessenden, however, recommended the creation of a sinking fund commission in whom the proceeds of the sales of the public domain might be vested.

In conclusion, after reviewing the incidents of his short experience, Mr. Fessenden suggested that the secretary should be released from the restrictive provisions hampering the negotiations of loans, and recommended a law for the exemplary punishment of combinations of unpatriotic speculators, and probably secret enemies, to raise the price of coin. In view, however, of the increase of the interest payable in coin, and the embarrassment which might be occasioned thereby, Mr. Fessenden said he had been forced to the conclusion that Congress would be forced to rely upon loans bearing interest in paper, and he submitted that securities of this kind redeemable in three or five years, and convertible at maturity into 5-20s, would be preferable to any other form of loan.

The report of Mr. McCulloch, as comptroller of the currency, on the progress of the national banks accompanied Mr. Fessenden's statement. Up to the 1st July the notes put into circulation through these organisations amounted to \$25,800,000; on the 1st October their sum had increased to \$45,260,000; and during October and November had grown by more than \$2,000,000 a-week. Some of these issues were in exchange for State issues withdrawn, but the amount emitted was greatly in excess of the amount retired.

On 6th December Mr. Thaddeus Stevens obtained leave to introduce a bill, which was read and referred to committee, declaring

the equality of value of the gold dollar and the paper dollar, making all contracts payable in coin payable in paper, and declaring all attempts to evade the proposed act a misdemeanour punishable by six months' imprisonment.

The legislation of the session consisted of—

Act 28th January, 1865, authorising the secretary to issue treasury notes in lieu of unissued balance of coupon bonds authorised by act 30th June, 1864.

Act 3rd March, 1865, authorising the secretary to borrow to extent of \$600,000,000, in addition to amount formerly authorised, upon bonds or treasury notes; proviso, that if interest be payable in coin it must not exceed 6 per cent., and if not payable in coin must not exceed $7\frac{3}{10}$ ths per cent.; but these obligations might be disposed of at any rates the secretary of the treasury might think advisable.

Another act approved on the same day enacting a revised tariff, to come into operation on the 1st April (Appendix A); and a third act amending the Internal Revenue Act (Appendix B), providing among other things for the extinction of States' issues after the 1st July, 1866, by taxing them 10 per cent., and for the appointment by the secretary of the treasury of a commission to inquire and report upon the subject of taxation, and the best mode of attaining revenue.

Early in March Mr. McCulloch was nominated and approved secretary of the treasury.

Soon after he arranged with Mr. Jay Cooke for the issue of the \$600,000,000 loan; the first issue to be made on the 15th of June, and to consist of \$300,000,000 in 7-30s.

The victories of Sherman and the apparent approach of the end of the war brought down the prices of gold during the month of March from 201 to 151.

On 15th April President Lincoln died of the effects of the wounds inflicted by the assassin Booth.

The death of Mr. Lincoln may be taken as marking the end of the war, which began almost simultaneously with his accession and the close of the war, was necessarily a turning point in the financial history of the Federation.

On the 6th May the circulation of the national banks had increased to \$126,360,000.

Early in June Mr. McCulloch appointed Mr. Wells, New York, Mr. Colwell, Pennsylvania, and Mr. Hayes, Illinois, the members of the revenue commission authorised by the act of March, and they at once entered upon their labours.

The following is an abstract of the income and expenditure of the year ending 30th June, 1865 :—

<i>Income.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	84,928,260	Civil service	44,765,558
Lands	996,553	Interior	14,258,575
Direct tax	1,200,573	War	1,031,323,360
Internal revenue	209,464,215	Navy	122,567,776
Miscellaneous	32,978,284		1,212,915,270
		Interest on public debt	77,397,712
	329,567,886		1,290,312,982
Loans and treasury notes.....	1,472,224,741	Redemption of debt and notes	607,361,241
	1,801,792,627		1,897,674,224

The amount of debt on the 30th June was \$2,682,593,026 (Appendix C.)

The remaining incidents of the year are few. Mr. McCulloch issued the balance of the \$830,000,000 authorised to be issued in 7-30 bonds, and he increased the amount of 5-20s; but, on the other hand, he withdrew the interest-bearing notes authorised by the act of 3rd March, 1863, and greatly reduced the volume of certificates of indebtedness afloat. (See Appendix C.) When Congress met on the 4th December the secretary made his (first) annual report.

Mr. McCulloch began by referring to the currency, and admitted, with respect to the legal-tender notes, that "the authority to issue them as money is neither expressly given to Congress by the constitution nor fairly to be inferred, except as a measure of necessity in a great national exigency." He estimated the active circulation of the United States on the 31st October—

	\$
United States' notes and fractional currency	454,218,038
National bank notes (\$205,000,000 issued)	185,000,000
State bank issues outstanding.....	65,000,000
Treasury and compound interest notes (\$205,550,000 } issued)	30,000,000
	<u>734,218,038</u>

and, after an elaborate argument to prove the mischief arising from such an inflation, asked for authority to issue 6 per cent. bonds for the purpose of retiring the United States' and compound interest notes.

Proceeding to discuss the debt of the Union, Mr. McCulloch submitted his estimates for the current year (realised as to the first quarter):—

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	147,009,583	Civil service	43,565,513
Lands	632,890	Interior	18,281,032
Direct tax	31,111	War	473,157,987
Internal revenue	271,618,885	Navy	51,520,669
Miscellaneous	48,393,729		
	<u>467,686,200</u>	Interest on public debt	586,525,201
			<u>132,987,350</u>
			719,512,551

And also his estimates for the year 1866-67:—

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	100,000,000	Civil service	42,165,599
Internal revenue	275,000,000	Interior	17,609,640
Lands	1,000,000	War	39,017,416
Miscellaneous	20,000,000	Navy	43,982,457
	<u>396,000,000</u>		
		Interest on public debt	142,775,112
			<u>141,542,068</u>
			284,317,180

But these estimates were exclusive of debt to the extent of \$187,549,000 falling due in 1865 and 1866, and to the extent of \$848,323,000 due in 1867 and 1868 (the latter consisting chiefly of the 7-30 three year bonds).

In view of these liabilities Mr. McCulloch asked for authority to sell bonds bearing interest not greater than 6 per cent. for the purpose of meeting the prospective deficiency in the current year, reducing the temporary debt, and entering upon such further negotiations with the holders of the 7-30 bonds as he might deem desirable. He held it prudent to assume that the whole debt of the Union on the 1st July, 1866, would be \$3,000,000,000 and he thought that this might be funded at 5 or 5½ per cent., so that, setting apart \$200,000,000 annually for the payment of interest and the redemption of capital, the debt might be liquidated in a period varying from twenty-eight to thirty-two years.

Before passing from the subject of the debt, Mr. McCulloch suggested the propriety of improving the foreign credit of the 5-20 bonds by a Congressional declaration that the principal as well as the interest of them would be paid in coin; and, with reference to the exemption of Government securities from State taxation, strongly deprecated any interference with that exemption, as far as regarded bonds already issued, as a breach of public faith; and also argued against permitting States to impose local

taxes on bonds thereafter issued, as that would render it impossible to fund the debt at home at a low rate of interest.

Mr. McCulloch referred to the labours of the revenue commission, and coincided in the opinion he understood they had formed, that the system of national taxation might be much simplified without lessening the total produce; but he deferred a fuller statement of his views until the commission presented their report.

Among other subjects touched upon were the approaching termination of the Reciprocity Treaty, which Mr. McCulloch held to have operated unilaterally; the rapid extension of the national banks, "one of the great compensations of the war;" and the clauses of the act 25th February, 1862, providing for the creation of a sinking fund. The necessities of the treasury had made compliance with these provisions impracticable, and acting upon them would in any case have hardly been judicious. After the expiration of the current year it would be practicable to carry them into effect, but "the secretary is of the opinion that the safe and "simple way of sinking the national debt is to apply directly to its "payment the excess of receipts over expenditure." He, therefore, recommended the repeal of the provisions in question.

On the 6th January the authorised issues of the national banks amounted to \$240,000,000.

Before Congress began to legislate, Mr. McCulloch transmitted to them the report of the revenue commission. It began by complaining of and exemplifying the difficulty of obtaining exact information, asserting, as the result of the experience of the commission, "that no full and reliable statistics concerning any branch "of trade or industry in the United States, with possibly a few "exceptions, are now or have ever been available." After examining the systems of other countries, the report showed the mischievous effects of the duplication and confusion of the national system, declaring that "it violated all the fundamental principles of "taxation, inasmuch as the taxes [collected] are neither definite in "amount, equal in application, nor convenient of collection." The commission went on to propose the adoption of what they termed a "concrete" rather than a "diffused" system of taxation, and made the following special recommendations:—

A reduced tax of \$1 per gallon on distilled spirits (not adopted).

An increase of the excise tax on cotton to 5 cents per lb. (raised to 3 cents only and since reduced, and now abolished).

An abolition of the discrimination in the income tax (adopted in the year 1867).

Repeal of assessed taxes except on billiard tables (not adopted, but modification introduced in tax on carriages).

Repeal of excise on clothing (partially adopted).

Repeal of excise on pig iron, coal, and books (adopted).

They demurred to the propriety of an immediate attempt to reduce the debt, and urged the re-organisation of the revenue service, including therein the alteration of the system which made the appointment, retention, and promotion of officers dependent upon other circumstances than qualifications of good behaviour.

Accompanying the report of the commission was a separate report of Mr. Hayes (not approved by his colleagues), recommending that a tax of 1 per cent. should be annually levied on the capital of the Federal securities owned by residents in the States or citizens of the Union resident abroad, and that such tax should be vested in trustees, as a sinking fund for the redemption of the debt. Mr. Hayes defended his proposal on the ground that the tax he suggested would be about equal to the State and Municipal taxes from which the Federal securities had been exempted.

The financial legislation of Congress during this session consisted of—

An act, approved on 10th March, 1866, declaring non-residents, whether citizens or aliens, liable to payment of income tax on dividends payable on the public debt.

An act, approved 12th April, 1866, giving the secretary greater powers in converting outstanding notes and securities, provided that not more than \$10,000,000 of United States' notes be withdrawn within six months after the passing of the act, and not more than \$4,000,000 in any one month afterwards.

An act, approved 16th May, imposing import duty of 20 per cent. *ad valorem* on live animals.

An act, approved 13th July, 1866, reducing internal taxation after 1st August (see Appendix B), and enacting new taxes on banks other than national banks. It was estimated that the reduction of taxation consequent on the act would be \$65,000,000. By this act the secretary was empowered to appoint a special commissioner of the revenue, to hold office for four years, and on the 16th July Mr. Wells was selected as the commissioner, and proceeded at once to enter upon the duties of inquiry.

An act, approved 28th July, imposing, from and after 10th August, duty of \$3 per pound and 50 per cent. *ad valorem* on cigars, and containing other provisions for the protection of the revenue.

A joint resolution was approved on the same day, exempting returned soldiers from claims for arrears of the special income tax imposed by resolution of 4th July, 1864.

The income and expenditure for the year ending the 30th June, 1866, proved to be :—

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	179,046,651	Civil, &c.	41,056,961
Lands	665,031	Interior	18,852,417
Direct tax	1,974,754	War.....	284,449,701
Internal revenue	309,226,813	Navy	43,324,118
Miscellaneous	67,119,369		
			387,683,198
Total revenue....	558,032,620	Interest on debt.....	133,067,742
Loans	712,851,553		
			520,750,940
	1,270,884,173	Debt redeemed	620,321,726
			1,141,072,666

The amount of the debt was \$2,783,425,879 (Appendix C).

When Congress met in December, Mr. McCulloch had the satisfaction of announcing that the net decrease of the debt on the 31st October, 1866, compared with its maximum on 31st August, 1865, was more than \$200,000,000. He did not expect, nor think it desirable, that this rate of decrease should continue; taxation had been reduced in the last session, and a further reduction ought to follow; but with due economy, “no additional donations to rail-roads, no payments but in the fulfilment of contracts, and no unnecessary expenditure for any purpose whatever, and with wise and equal revenue laws, the debt could be paid by the generation that created it.”

The secretary expressed his regret that his recommendations on the subject of the currency had not been adequately embodied in legislative enactments, and pressed them again with great earnestness on the attention of Congress.

With respect to taxation generally, Mr. McCulloch desired to await the report of Mr. Wells, but he recommended to the consideration of Congress the fact that “a redundant currency and “high taxes” prevented shipbuilding, and had arrested the progress of all manufactures.

He suggested the following axioms as the basis of legislation :—

1. Internal duties should be levied on the fewest possible number of articles.
2. Import duties should correspond and harmonise with internal duties.
3. Raw materials should be as far as possible exempt from taxation.
4. “Taxation should fall chiefly on those whose interests are “protected by it, and upon those to whom the public debt is a “source of wealth and profit, and lightly upon the labouring

“ classes, to whom taxation and the debt are without so many compensatory advantages.”

And, with a view to the reduction of the burden of the debt, suggested the issue of bonds bearing interest at 5 per cent. payable in Europe (London or Frankfort), to absorb the 6 per cents. held in Europe and supply the demand for investment.

Mr. McCulloch added, that specie payments might be resumed, and ought to be resumed by the 1st July, 1868, and he hoped the character of future legislation would bring it about even earlier.

His estimates of the year 1866-67 (realised as to first quarter), were:—

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	160,843,774	Civil service	49,299,684
Lands	728,399	Pensions and Indians ...	24,050,193
Direct tax	340,454	War (including boun- } ties \$15,000,000) ... }	72,637,871
Internal revenue	285,166,994	Navy	31,023,419
Miscellaneous	27,981,764		177,011,167
	<u>475,061,386</u>	Interest on debt	139,416,912
			<u>316,428,079</u>

And for the year 1867-68:—

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	145,000,000	Civil service	50,067,342
Internal revenue	265,000,000	Pensions and Indians ...	25,388,489
Lands	1,000,000	War (64,000,000 boun- } ties)	110,561,962
Miscellaneous	25,000,000	Navy	30,251,605
	<u>436,000,000</u>		216,569,398
		Interest on debt	133,678,243
			<u>350,247,641</u>

At the beginning of January the issues of the national banks had reached the limits assigned by Congress, the amount of their notes in circulation being \$291,000,000.

An act was approved 2nd March, 1867, further simplifying internal revenue (Appendix B), and causing an estimated reduction of taxation to extent of \$45,000,000; and it may be interesting to note, that on the same day an act was passed to establish a uniform law of bankruptcy throughout the Union.

Another act on same day authorised secretary of the treasury

to issue temporary loan certificates to an extent not exceeding \$50,000,000, bearing interest at rate not exceeding 3 per cent., and payable in lawful money on demand, for the purpose of retiring outstanding compound-interest notes; and

Yet another act, imposing new duties on wools and woollen cloths.

It divides wools into three classes, and imposes specific duties of about 30 per cent., and 10 or 11 per cent. additional *ad valorem*.

The duty on woollen cloths is fixed at 50 cents per pound, and 35 per cent. *ad valorem*.

On ready-made clothing 50 cents per pound, and 40 per cent. *ad valorem*.

Carpets, 50 per cent. *ad valorem*.

Oil-cloths for floors, 35 and 45 per cent. *ad valorem*, and

Oil-silk cloth, 60 per cent. *ad valorem*.

For the purpose of confining the notes in circulation to those furnished by the comptroller of the currency to the national banks, it was enacted by an act, approved 26th March, 1867, that all national banks should pay a tax of 10 per cent. on the notes of any town, city, or municipal corporation issued by them after 1st May.

The income and expenditure of the year 1866-67 proved to be :

<i>Income.</i>		<i>Expenditure.</i>	
	\$		\$
Customs.....	176,417,811	Civil service	51,110,027
Lands.....	1,163,576	Pensions and Indians	25,579,083
Direct tax	4,200,234	War	95,224,416
Internal revenue	266,027,537	Navy	31,034,011
Miscellaneous	42,824,852		202,947,537
		Interest on debt	143,781,592
	490,634,010		346,729,129

and the public debt at the close of the year amounted to \$2,692,199,215. In the course of the year Mr. McCulloch had redeemed all outstanding certificates of indebtedness and deposit, and had converted more than \$300,000,000 of the 7-30s into 5-20s. The 5-20s had consequently largely increased, and the annual charge for interest payable in gold had risen from \$68,031,000 to \$111,357,000 (Appendix C).

Some notes from Mr. McCulloch's annual report, presented to Congress in December, may close the first or historical part of this paper. Mr. McCulloch confessed that the resumption of specie payments was not likely to happen so early as he had predicted, but he thought it ought not to be delayed beyond the 1st January, or at the furthest the 1st July, 1869. To ensure this, however, it was most important, if not absolutely necessary, (1) that the

remainder of the interest-bearing notes should be funded or paid, and the currency further contracted; (2) that public faith should be maintained in regard to the debt; (3) that the Southern States should be restored to their proper relations to the Federal Government. He deprecated the withdrawal of the power conferred upon him to retire United States' notes to the extent of \$4,000,000 a month; and the substitution, in favour of which much had been said, of United States' notes for the issues of the national banks. He argued most strongly against the suggestion that the 5-20 bonds might be redeemed in paper; and with reference to the agitation which had arisen on the subject of the exemption of bondholders from State and Municipal taxation in respect of their bonds, submitted to Congress the propriety of creating a consolidated debt, carrying a nominal interest of 6 per cent., 5 per cent. to be paid to the holders of the bonds, and the remaining 1 per cent. to be distributed among the States in proportion to their population. The actual receipts and expenditure for the quarter ending the 30th September, 1867; and the estimated receipts and expenditures for the other three quarters were—

<i>Receipts.</i>			<i>Expenditure.</i>		
	September Quarter.	Estimate, Three Quarters.		September Quarter.	Estimate, Three Quarters.
	\$	\$		\$	\$
Customs	48,081,907	115,300,000	Civil service	13,152,348	37,000,000
Lands	287,460	700,000	Pensions and }	10,484,476	22,000,000
Direct tax	647,071	—	Indians		
Internal revenue ...	53,784,027	155,000,000	War	30,537,056	100,000,000
Miscellaneous	18,361,463	25,000,000	Navy	5,579,705	22,000,000
				59,753,586	181,000,000
			Interest on debt...	38,515,640	114,000,000
	121,161,928	296,000,000		98,269,226	295,000,000
	417,161,928			393,269,226	

The estimates for the year 1868-69 were—

<i>Receipts.</i>		<i>Expenditure.</i>	
	\$		\$
Customs	145,000,000	Civil service	51,000,000
Land	1,000,000	Pensions	35,000,000
Internal revenue	205,000,000	War	120,000,000
Miscellaneous	30,000,000	Navy	36,000,000
	381,000,000		242,000,000
		Interest on debt	130,000,000
			372,000,000

I have entered at great length on the annals of American Finance; but I hope to be able to reduce the remainder of this paper within moderate compass.

Cash-Values Received for Debt Created.

It appears (Appendix C.) that the war-debt created amounted to \$2,846,021,742—68,482,686, or \$2,777,539,056; the difference between the maximum debt on the 31st August, 1865, and the debt on 4th March, 1861. The greater part of this was issued at *par* in paper, and no material error will arise if it be assumed that it was all so issued. Taking the periodic growth of the debt, and correcting by means of Appendix D, we find—

\$						\$
199,057,344	debt created between 4th March, 1861 and 31st Dec., 1861 (average value of paper <i>par</i>) =					199,057,344
246,671,341	" 31st Dec., '61 "	30th June, '62 (	" 97) =			239,271,201
207,457,356	" 30th June, '62 "	31st Dec., '62 (	" 80) =			165,965,885
372,124,454	" 31st Dec., '62 "	30th June, '63 (	" 66½) =			248,082,970
128,320,378	" 30th June, '63 "	30th Sept., '63 (	" 77) =			98,806,691
251,112,155	" 30th Sept., '63 "	2nd Feb., '64 (	" 66½) =			167,408,104
260,584,405	" 2nd Feb., '64 "	30th June, '64 (	" 56½) =			147,230,189
283,289,396	" 30th June, '64 "	31st Oct., '64 (	" 42½) =			120,397,993
349,855,562	" 31st Oct., '64 "	31st March, '65 (	" 47) =			164,432,114
315,637,949	" 31st March, '65 "	30th June, '65 (	" 70) =			220,946,564
163,428,716	" 30th June, '65 "	31st Aug., '65 (	" 70) =			114,400,101
<u>2,777,539,056</u>	total debt created.			Total cash value received.....		<u>1,885,999,156</u>

showing an average receipt for debt created 68 per cent.

The additional sums obtained by taxation over and above the nominal expenses of Government up to August, 1865, may be taken to have raised the actual cost of the war falling upon the Federation to \$2,000,000,000, or 400,000,000*l.* sterling.

Means by which Debt was Created.

A few remarks may be permitted on the means by which the debt was created. It will have sufficiently appeared from the statements before given, and it can be seen by an inspection of Appendix C, that the expedients used were generally of a very temporary character. One of the earliest was an issue of inconvertible paper, which was emitted to the extent exceeding \$400,000,000 in the first two years of the war. In the same period certificates of indebtedness—a form of security strictly analogous to Lloyd's bonds—were issued to the extent of \$156,000,000, and money was received on temporary deposit, the treasury competing with bankers, to the extent of \$102,000,000. The issue of inconvertible paper fatally depreciated the currency, and was the occasion of the great discrepancy between the amount of the debt created and the value received for it already noticed. Mr. Chase flattered himself that he

was borrowing money at 6 per cent., at the later time when gold was at 100 premium and the real interest paid was 12 per cent. Mr. Fessenden borrowed money at 14 per cent., the premium on repayment at the end of twenty years at par being in each case left out of consideration. It will be remembered also that after the issue of inconvertible demand-notes had been practically arrested, the volume of notes circulating as legal tender was increased from two causes. The first was the issue of one and two year interest-bearing notes, which were declared legal tender for their face-value, and thus circulated with as much acceptance as the demand-notes. The second cause was the establishment of the national bank system. This system has been declared by Mr. McCulloch one of the compensations of the war, and the adoption of a paper currency circulating throughout the Union in the place of as many paper currencies as States, is undoubtedly a considerable advantage. But it was dearly bought. The essence of the system is, that wherever an association was formed and invested a certain capital in United States' bonds, and deposited them with the comptroller of the currency, it received from him notes to the extent of 90 per cent. of the bonds deposited. The association continued to receive the interest on the bonds, and its members received such interest as they would make as bankers by issuing the notes as cash; and the practical effect may be said to be that they received on their capital a bonus of 50 per cent. on the ordinary rate of interest in consideration of having invested it in United States' bonds. This is not all. The notes they issued being in truth secured by the same sanction as the United States' notes, depreciated the currency in proportion to the extent to which their total amount (\$300,000,000) exceeded the State bank notes (estimated at \$150,000,000) they displaced, and the Government thus became a further loser on the loans it was continually obliged to negotiate. Another circumstance requires to be noticed, though the bearing of it will be explained later. When the Federal Government seriously began to create a funded debt, it offered to capitalists exemption from State and Municipal taxation in respect of the securities they took up. The advantage thus conferred was of course given at the expense of the fellow citizens of those who lent their money.

From what Sources was the Money Received for the Debt obtained.

The valuation of property in the loyal States in 1850 has been stated (*ante*) to have been \$4,728,247,586, and to have been \$10,659,418,009 in 1860. These figures indicate an annual increment of 8.47 per cent., and would show that the annual addition to the wealth of the Northern States at the commencement of the war was \$900,000,000. It is not necessary to place implicit reliance on

these statistics, but they point to an immense energy of accumulation before the war, enabling the people to sustain its subsequent burdens. The war, however, not only demanded a constant flow of supplies, but withdrew from reproductive labour an army of workers, and we cannot be surprised if the annual saving soon fell below the un-reproductive demand. But to whatever extent saving continued, the devices of the Government were stretched to intercept its fruits. The issue of inconvertible paper gave the treasury the command of the coin in circulation, and it may, perhaps, be assumed that a sum of \$200,000,000 was obtained by the demonetisation of gold and silver. The advantages offered to investors in Government securities, already dwelt upon, diverted to the treasury the savings of the people, and the inducement to lend to the Government became still stronger when taxation began to interfere with the business and profits of production. If we follow in imagination the career of the certificates of indebtedness with which the Government paid contractors, and the larger obligations issued, we must trace them to the hands of the bankers, who were the intermediaries between the saving classes and the treasury, while obligations in smaller sums not uncommonly passed directly to persons who held them for investment. It is impossible, however, especially in view of the facts mentioned in the next section of this paper, to resist the conclusion that the war consumed more than was saved, and trenched upon the accumulated capital of the people.

Immediate Consequences.

Capital.—The tax-valuations of the several States, if they were all accessible, would furnish us with a ready test of the truth of the conclusion that the capital of the American people had diminished. The following returns show the influence of the war on some of the Northern States and California:—

	Valuation, 1860.	Valuation, 1866.
	\$	\$
California	148,193,540	197,654,201
Connecticut	224,962,514	276,086,457
Illinois	366,702,043	392,327,904
Indiana	455,011,378	584,607,829
Iowa	197,823,250	215,063,401
Massachusetts	897,795,326	—
Michigan	275,762,771	307,965,840
Minnesota	35,564,493	57,388,511
Missouri	309,343,410*	332,681,668
New York	1,441,344,832	1,659,452,615
Ohio	888,302,601	1,106,208,921
Pennsylvania	595,591,994	—
Wisconsin	184,062,536	162,320,153

* The value of 114,931 slaves at an assumed average of \$350 deducted.

The total valuation of these States in 1866 is \$5,291,757,500, against \$4,527,073,368 in 1860 (Massachusetts and Pennsylvania being excluded); but it must be remembered that the valuation of 1866 is expressed in paper which was at a discount of 30 per cent. Making the necessary correction, we find the valuation of the given States \$3,704,230,250 in 1866, exhibiting a decline of 18·17 per cent. upon the valuation of 1860.

Taxation.—It is impossible to convey any accurate impression of the taxation which has resulted from the war without bringing into account the returns of the State and county taxation, which are not before me. I am able, however, to give the percentage of taxation on valuation in five representative cities in 1860 and 1866:—

	1860.	1866.
	Per cent.	Per cent.
New York	1·326	2·114
Boston.....	·803	1·367
Cincinnati	1·411	1·537
Chicago	1·000	2·000
San Francisco.....	2·224	1·970

figures which are in themselves sufficiently eloquent.

The State taxation had also increased, but it is uncertain in what proportion.

The Federal taxes are sufficiently exhibited in Appendices A and B; and the defects of the system of Federal taxation as it existed at the close of the war, have been freely confessed and even insisted upon by Mr. McCulloch and Mr. Wells. The impolicy of excise duties varying with the gross products of manufactures does not seem to have been adequately recognised, and as the principle of them lurks in one or two items of our own system it is worth exposing. It is plain that these duties on the gross value of manufactures are substantial impediments to a quick return of capital at small profits. The manufacturer must get more than the percentage of tax (in America 3 and 5 per cent.) on every sale to get any profit; and it is thus impossible to carry on trades except at prices admitting of large profits exclusive of taxation. The same or even a greater income might be obtained from these trades by the treasury, by the imposition of a very high proportional tax on profits, leaving the trader free to conduct his business so that the tax should be felt as little as possible by his customers.

Profits, Wages, and Prices.—With diminished capital and increased taxation a decline of trade, of profits, and of wages, and a rise of prices must follow. Appendix E, exhibits the course of export and import trade.

Mr. Joseph G. Martin, of Boston, has published the following

statement of the dividends of manufacturing companies, payable in Boston, in the January of three consecutive years, which, quoted by me from "Hunt's Merchants' Magazine," may be accepted as an illustration of the course of profits:—

	\$
January, 1866, aggregate dividends	3,384,850
" '67, " "	2,590,750
" '68, " "	1,120,000

There are no returns of wages in the United States, but the best authorities appear to agree in the opinion that the nominal rate has barely kept pace with the premium in gold; that is to say, that the labourer who obtained a dollar a day before the war, now receives \$1.40 in paper. The course of prices are shown in Appendix F, the figures of which show that during the war itself, prices (excluding cotton) actually fell, but have since risen about 37 per cent. over the prices prevalent before the war. It will be observed that the prices are throughout reduced to a gold standard.

Management of the Finances since the War.

At the close of the war the inhabitants of the North were naturally much excited by their success in preserving the unity of the Republic, and their excitement not uncommonly found vent in contemptuous disparagement of the burden of the debt it had entailed upon them. The wildest prophecies were uttered as to its immediate redemption, and it was even proposed that it should be at once extinguished by a voluntary subscription. It may be seen in Appendix C, that the debt was in fact reduced by \$170,000,000 in little over the twelve months; and great praise was bestowed upon this on this side of the Atlantic, apparently without much consideration, or perhaps, knowledge of the circumstances of the situation. If the deductions hereinbefore drawn be correct, it must be manifest that it was the part of an American financier at the close of the war to reduce and reform the system of taxation which had been adopted, and to postpone to a better time all efforts to diminish the capital of the debt. It is but just to Mr. McCulloch to observe that he must not be blamed for the policy so hastily praised. The differences between the executive and legislative branches of the Government have prevented the acceptance by Congress of many of his suggestions, and of late Congress has indeed acted in direct violation of his advice. One point of policy which is undoubtedly due to Mr. McCulloch may, however, be noticed. Appendix C shows that the debt has been varied since 1865, by the withdrawal of demand-notes to the extent of \$70,000,000, the reduction of the debt upon which interest was payable in paper to the extent of \$850,000,000, and the increase of

the debt bearing interest in gold to extent of \$720,000,000. The conversion of the debt bearing interest in paper as it matured into a debt bearing interest in gold was, probably, to a great extent inevitable, but the reduction of the currency, as long as there remained a debt such as the legal-tender interest-bearing notes payable in currency, appears to require justification. It is plain that the reduction of the currency produces an appreciation of the value of this debt, and therefore increases the cost of its redemption. Mr. McCulloch's motive has been a desire to bring back specie payments at the earliest opportunity; but, without questioning the accuracy of his exposition of the evils of the process of inflation, it may be doubted whether he has not exaggerated the mischief of a redundant circulation after the inflation has been completed. Without some further arguments in its behalf, I should demur to the position that the advantage of reducing a redundant currency which had reached a fixed limit, is a compensation for the loss on the redemption in that currency of debts expressly made payable in it.

Future Policy.

It is easy to criticise the past, but a few remarks may be hazarded at the close of this long paper on the future financial policy of the Union.

First. What are its liabilities? The interest on the public debt may be taken at \$130,000,000 in gold (about exactly the same as our own charge for interest). The capital is \$2,640,000,000, out of which interest is payable in gold on \$2,000,000,000. In what medium is the capital upon which the gold interest is paid redeemable? It will have been seen (*ante*) that the acts authorising its creation are for the most part silent upon this point, and it has been contended that the lawful claims of the public creditor cannot require more than payment in paper. On the other hand, it has been insisted upon that the secretaries of the treasury (*ante passim*) have always declared that the capital would be redeemed in gold, their agents for negotiating the debt have embodied the declaration in their advertisements, and all prominent members of Congress during the war by express declaration, and Congress itself by inaction, approved and sanctioned these statements. In answer to the plea that no legal obligation can arise out of these circumstances, it has been retorted, that the obligations of nations are never more than obligations of honour, since there is no legal process capable of being set in motion against them. These considerations appear to me sufficient to establish the obligation to repay the bonded debt of the Union in gold; but they do not exhaust the argument in favour of this position. The peculiar constitution

of the United States allows the nation itself to be impleaded in the Supreme Court, and if the holder of a 5-20 bond at the end of twenty years from its date brought an action for its amount, he would be entitled to recover it in gold. The argument on the construction of the statute of the 25th February, 1862, from the previous usage of the Union, admitting only coin as legal tender in discharge of debts, and from the provision contained in it for the establishment of a sinking fund would be irresistible. It is, indeed, open to doubt whether a suit could not now be sustained by a holder of United States' bonds to compel the treasury to keep apart and administer the receipts of the customs in conformity with the unrepealed provision.

The exemption of bondholders from State and municipal taxation is another part of the bargain between the Union and its creditors which cannot be infringed. The impolicy of the exemption must be admitted; but the obligation of respecting the privilege is too clear to justify any discussion, nor should I refer to it but for the numerous disguises under which proposals to evade it have been advanced by persons in authority.

The ordinary expenditure for the current and for the coming years have been estimated at \$240,000,000, an amount which, when reduced to its equivalent in gold, is about two and a-half times the average cost of Government before 1861. The possibility of reducing this amount has been insisted upon very recently by Mr. Wells, in a further report to Congress, and he estimates the total within which the expenditure could be brought at \$140,000,000. It would probably be safe to take the possible limit of normal expenditure at \$200,000,000.

I have dwelt upon a frank recognition of the obligations of, and demands upon the Federal Government, because I regard this as the first step towards the adoption of a sound financial policy. Mr. McCulloch has defended the exemption of the public debt from State taxation because it tends to keep the debt within the Union. I would submit, on the contrary, that the leading principle of an American financier should be to make his country the Savings Bank of Europe, and it is for this purpose that it is so needful to be prompt in the confession of national liabilities. Confidence in American responsibility should be supported by legislative declarations of obligations, and by the maintenance of an adequate revenue raised by the least onerous system of taxation. At present the annual demand on the treasury (\$130,000,000 in gold for interest, and \$240,000,000 for cost of Government) is barely met by very heavy customs' duties and internal duties still complex and repressive of production. Some alleviation of these burdens might be obtained, and the treasury at the same time strengthened, by the substitution of a

Direct Tax in lieu of the worst excise and customs' duties. It would be necessary to amend the constitutional enactment regulating Direct Taxes, a provision founded on political conceptions now obsolete and, indeed, scarcely intelligible ; but were this altered, so as to admit of a tax being levied subject simply to the law of proportional imposition, it might be collected through the existing machinery of the separate States with great ease, and at comparatively slight expense. The imposition of a Direct Tax would not, however, justify the abolition of the Income Tax. The Direct Tax leaves comparatively untouched professional persons and others whose incomes are large compared with their visible capital ; while the Income Tax presses upon the same persons with unequal severity. The defects of these imposts thus balance one another, and the two, in conjunction with indirect taxes, affecting the less wealthy classes, would constitute a reasonably perfect system of taxation. I would add that I am aware that this suggestion and all other suggestions must, in the present divisions of the American Government, be regarded as idle theorising ; but the time is at hand when both the legislative and executive branches of the Government must be re-created by the popular will, on which they rest, and, with the restoration of agreement between them, the finances of the Union must be among the first objects of their joint care.

APPENDIX.

A.—Table showing the Duties Levied by each United

Date of Tariff.	Distilled Spirits.	Glass.	China.	Sugar.	Coffee.	Pig Iron.	Manufactured Iron.
	Galls.	Per cent.	Per cent.	Per lb.	Per lb.	Per cent.	Per cent.
July 4, 1789....	10 cents	10	10	1 cent	2½ cts.	5	5
Aug. 10, '90....	15 "	12½	12½	1½ "	4 "	5	7½
May 2, '92....	28 "	15	15	1½ "	4 "	10	10
June 7, '94....	28 "	20	15	1½ "	4 "	15	15
Mar. 3, '97....	29 "	20	15	2½ "	5 "	15	15
" 26, 1804....	29 "	22½	17½	2½ "	5 "	17½	17½
July 1, '12....	60 "	40	30	5 "	10 pr. ct.	30	30
April 27, '16....	42 "	20	20	3 "	5 cents	20	20
May 22, '24....	42 " {	30 + 3 c. p. lb.	20	3 "	5 "	\$10 per ton	25
" 19, '28....	57 "	"	20	3 "	5 "	\$12½ "	25
July 14, '32....	57 "	"	20	2½ "	Free	\$10 "	25
Mar. 2, '33 *	—	—	—	—	—	—	—
Sept. 11, '41....	20 p. ct.	20	20	20 per cent.	Free	20	20
Aug. 30, '42....	60 c. {	30 + 6c. p. lb.	30	2½ cents	"	\$9 per ton	30
" 6, '46....	100 p. ct.	40	30	30 per cent.	"	30	30
March 3, '57....	30 "	30	24	24 "	"	24	24
" 2, '61....	40 cents	"	30	¾ cent	"	\$6 per ton	30
Aug. 5, '61....	50 "	"	"	2 "	4 cents	\$6 "	30
Dec. 25, '61....	"	"	" {	2½ " and upwards	5 "	"	"
Aug. 1, '62....	\$1	"	40 {	2½ " and upwards	"	\$6 "	30 + miscellane- ous special duties
July 1, '64 †	\$2	35	50 {	3 " and upwards	"	\$9 "	35 + miscellane- ous special duties
April 1, '65....	\$2.50	"	"	"	"	"	"
March 2, '67....	"	"	"	"	"	"	"

* When duty exceeds 20 per cent. the excess to be reduced biennially

† 40 cents additional 7th March to 1st July, 1864.

‡ And also

APPENDIX.

States' Tariff upon the Principal Classes of Imports.

Bar, Rolled, Iron.	Clothings.	Cottons.	Woollens.	Tea.	Leaf Tobacco.	Average Duty shown by Proportion of Customs Revenue to Value of Dutiable Imports.	Date of Tariff.
Per cent.	Per cent.	Per cent.	Per cent.	Per lb.	Per lb.	Per cent.	
5	7½	5	5	Free	—	—	July 4, 1789
7½	7½	7½	7½	"	—	—	Aug. 10, '90
10	10	10	10	"	—	—	May 2, '92
15	10	15	15	"	—	—	June 7, '94
15	10	17½	15	"	—	—	Mar. 3, '97
17½	12½	20	17½	"	—	—	" 26, 1804
30	25	40	30	"	—	—	July 1, '12
\$30 per ton	30	25	25	12 to 50 cents per lb.	—	34½	Apl. 27, '16
\$30 "	30	25	20	12 to 50 cents per lb.	—	38½	May 22, '24
\$36 "	50	25	45	12 to 50 cents per lb.	—	41½	" 19, '28
\$30 "	50	25	50	Free	—	31½	July 14, '32
—	—	—	—	—	—	1832 to 1841	Mar. 2,* '33
20	20	20	20	"	—	23¼	Sept. 11, '41
\$25 per ton	50	30	40	"	—	33	Aug. 30, '42
30	30	25	30	"	—	24¼	" 6, '46
24	24	19	24	"	—	20¼	Mar. 3, '57
\$15 per ton	30	30	25	"	—	—	" 2, '61
\$15 "	30	30	+ 12c.pr.lb. 25	15 cents per lb.	—	—	Aug. 5, '61
"	"	"	+ 12c.pr.lb.	20 cts. per lb.	—	—	Dec. 25, '61
\$15 p. ta. + \$2 to \$5 pr. ton	35 pr. ct. + 6 cents per lb.	30 + special duties from 5 to 10 p. c.	30 + 18 cts. per lb.	"	25 cts. lb.	—	Aug. 1, '62
1 c. and 1½ c.p.lb.	40 pr. ct. + 24 cts. per lb.	5 c. sq. yard and upwards. + 10 to 20 per cent.	40 + 24 cts. per lb.	25 cts. per lb.	35 cts. lb.	43½	July 1,† '64
adnl. 10c. per cwt.	"	additional scale.	"	"	"	—	April 1, '65
"	40 pr. ct. + 50 cts.	"	35 + 50 cts. per lb.	"	"	—	Mar. 2, '67

until it should cease in 1842.

10 per cent. discriminating duty on goods imported in foreign vessels.

B.—*The Inland Revenue Acts of the United States.*A.—*Income and Receipt Taxes.*

	Act, 1st July, 1862.	Act, 8rd March, 1863.	Act, 1st July, 1864.	Act, 1st April, 1865.	Act, 1st August, 1866.	Act, 1st March, 1867.
<i>Receipts.</i>	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Rail and steam boats } worked by steam.....	3	—	2½	—	—	—
Rail and ferry boats } not steam	1½	—		—	—	—
Bridge tolls.....	3	—	—	—	—	2½
Telegraph companies	—	—	5	—	3	—
Insurance companies } and insurers	1	—	1½	—	—	—
Advertisers	3	—	—	—	—	Exempt
Express companies	—	2	3	—	—	—
Theatres, &c.	—	—	2	—	—	—
Lotteries	—	—	5	—	—	—
<i>Income (including Dividends, &c.).</i>						
Over \$600 and less than \$10,000	3 on excess over \$600	—	{ 5 pr. ct. up to \$5,000, 7½ p. c. up to \$10,000 }	{ 5 pr. cnt. up to \$5,000 }	—	{ 5 per cent. on incomes over \$1,000 }
Over \$10,000	5	—	10	{ 10 pr. cnt. over \$5,000 }	—	
Residents abroad	5	—	—	—	—	

B.—*Assessed Taxes.*

	Act, 1st July, 1862.	Act, 1st July, 1864.	Act, 1st August, 1866.
Carriages	\$1 to \$10	—	{ Below \$300, includ- ing harness, exempt. Above, \$6 and \$10 }
Yachts.....	{ \$5 and upwards at rate of 1 per cent. of value }	—	
Billiard tables (private use)	\$10	—	—
Gold plate	50 cents per oz.	—	—
Silver plate (over 40 oz.)	3 "	5 cents	—
Gold watches	—	\$1 and \$2	—
Pianos	—	\$2 to \$6	—

C.—*Legacy and Succession Duties.*

	Act, 1st July, 1862. <i>Personalty over \$1,000.</i>	Act, 1st July, 1864. <i>Personalty and Realty.</i>
	Per cent.	Per cent.
Lineal, or brother or sister	75	1
Descendant of brother or sister	150	2
Uncle, &c., or descendants	3	4
Great uncle	4	5
All others and bodies corporate.....	5	6
Husband and wife	Free	—

B.—The Inland Revenue Acts of the United States (Parts of)—Contd.

D.—Excise Duties (Manufactures and Sales).

Articles.	Act, 1st July, 1862 (put in Operation 1st September).	3rd March, 1863.	1st July, 1864.	1st April, 1865.	1st August, 1866.	1st March, 1867.
Spirits	20 c. gallon 1st proof (<i>i.e.</i> 50°* Tralle's hydr. 60° F.)	—	{ \$1.50 to 1st Jan., 1865, and \$2 afterwards \$1	20 p. cent. addi- tional on	20 per cent. dropped Exempt " "	—
Beer.....	\$1 bar. 31 gals.	60 c.	5 cents	all		
Mineral coals	3½ c. per ton	—	5 "	duties		
Land and seed oils ..	2 c. per gal.	—	10 to 25 cts.	not spe- cifically		
Gas	5 to 15 c. per 1,000 ft.	—	5 per cent.	altered		
Candles	—	—	20 c. per gal.			
Coal and rock oils ..	10 c. per gal.	—	1 cent			
Ground coffee	3 m. per lb.	—	—			
" spices	1 c. "	—				
Cotton	½ c. " {	2 c. per lb.†	—	—	3 cents	{ 2½ c. from 1st Sept.
Brown sugar	1 c. " ‡	—	{ 2 c., and 2½ pr. cent.	—	{ 1 c. and 2½ pr. ct.	—
Cavendish, cut, or manufactured tobacco	10 to 15 c. per lb.	—	15 to 35 cts.	15 to 40 c.	—	—
Snuffs	20 c. per lb.	—	35 cents	40 cents	—	—
Cigars	50 c. to \$3.50 per 1,000	—	\$3 to \$40	\$10	\$2 to \$4	\$5
Umbrellas	5 per cent.	3 p. cent.	5 per cent.	—	Exempt	—
Railroad iron	\$1.50 per ton	—	\$3	—	"	—
Unenumerated articles.....	3 per cent.	—	—	—	Struck out	—
Ships	—	2 p. cent.	—	—	{ Hulls exempt	—
Salt	—	—	6 c. per cwt. ¼ per cent.	—	3 cents ¼th	Exempt
Auction sales	¼th per cent.	—	—	—	—	—
<i>Slaughtered beasts</i> —						
Horned, over 18 months	30 c. per head {	20 c. per head	40 cts. (over 3 months)	—	} Repealed	—
Horned, under 18 months	5 c. "	—	—	—		
Hogs, over 6 mos.	10 c. " {	6 c. per head	10 cents	—		
Sheep	5 c. " {	3 c. per head	5 "	—		

* 60 cents from 7th March to 1st July, 1864.

† By Act 7th March, 1864.

‡ Raised to 2 cents per lb. by special Act 16th July, 1862.

B.—*The Inland Revenue Acts of the United States (Parts of)*—Contd.E.—*Licences*—Contd.

Trades, &c.	Act, 1st July, 1862. Progressive Duties.	Act, 1st July, 1864.
Rectifiers	\$25 for every 500 barrels of not more than 40 gals. \$5 to \$200 as rent is < \$100 and < \$10,000 \$5 each alley or table \$5 to \$50 \$10 to \$25 —	—
Hotel keepers		\$10 below \$200 rental, above \$5 per \$100 \$10 each alley or table \$10 to \$50 — \$100 to \$500
Bowling alleys and billiard tables		
Peddlers		
Photographers		
Assayers	—	—

F.—*Stamps*.

	Act, 1st July, 1862.	Act, 3rd March, 1863.	Act, 1st July, 1864.
Passports	\$3	—	\$5
Bills of exchange	{ 5 cents per \$100 to \$1 per \$2,500 }	½ per cent. per month	5 cents per \$100
Conveyances	{ \$1 per \$1,000, but above \$20,000 } \$2 per \$1,000 \$1 per \$5,000	Maximum stamp \$1,000	50 cents per \$500
Probate	1 cent and upwards	—	50 cents per \$1,000
Receipt and telegraph stamps.....	—	—	2 cents and upwards
Lottery tickets	—	50 per cent.	—

B*.—*Proceeds of Inland Revenue of the United States.*

[000's omitted.]

	1862-63.	1863-64.	1864-65.	1865-66.	1866-67.
	\$	\$	\$	\$	\$
Manufactures, 3 per cent. and specific	24,403,	75,461,	104,389,	178,357,	146,224,
Slaughtered animals	711,	699,	1,261,	1,292,	262,
Cotton tax	—	—	—	18,410,	23,769,
Gross receipts.....	1,341,	2,903,	8,891,	11,262,	7,445,
Licences	6,824,	7,178,	12,613,	18,016,	18,104,
Income	456,	14,933,	{ 20,740, 28,929,* }	60,894,	57,041,
Banks, railroads, &c.....	1,911,	7,018,	14,386,	13,049,	—
Stamps	4,140,	5,695,	11,162,	15,044,	16,095,
Legacies†.....	57,	311,	547,	1,169,	1,861,
Miscellaneous.....	—	—	—	—	—
	41,003	117,146,‡	211,139,	310,907,	266,028,

* Special resolution.

† Succession to realty, added from 1st July, 1864.

‡ Including \$285,676 refunded.

[000's omitted.]

	4th March, 1861.	31st December, 1861.	30th June, 1862.	31st December, 1862.	30th June, 1863.	30th September, 1863.*	30th June, 1864.
	\$	\$	\$	\$	\$	\$	\$
<i>Debt Bearing Interest in Gold—</i>							
5 per cent.	—	30,595,	30,595,	30,595,	30,483,	30,483,	29,074,
6 "	—	112,395,	93,451,	91,033,	89,101,	88,052,	114,280,
7½ "	—	100,000,	122,837,	139,997,	139,971,	139,679,	113,591,
6 " (5-20s)...	—	—	9,975,	25,051,	168,880,	278,512,	510,757,
5 " (10-40s) ..	—	—	—	—	—	—	72,005,
Total at gold interest	—	242,990,	256,858,	286,676,	428,435,	537,726,	839,717,
<i>Debt Bearing Interest in Paper—</i>							
7·30 per cent. (3 yrs.)	—	—	—	—	—	—	—
6 " " certificate indebtedness	—	—	49,882,	101,321,	156,784,	156,919,	156,531,
5 per cent. certificate deposit	—	—	57,746,	80,236,	67,003,	104,934,	9,396,
4 per cent. certificate deposit	—	—	—	—	35,381,		
6 per cent. certificate deposit	—	—	—	—	—	—	64,960,
5 and 6 per cent. legal tender notes 1 and 2 years	—	—	—	—	—	—	164,592,
6 per cent. C. P. R. R. Bonds	—	—	—	—	—	—	—
Total at paper interest	—	—	107,628,	190,557,	259,168,	261,853,	396,141,
<i>Debt not Bearing Interest—</i>							
Demand notes (gold)	—	24,551,	53,040,	—	—	—	—
Demand notes (legal tender)	—	—	96,620,	244,366,	390,993,	404,759,	426,573,
Demand notes (fractional)	—	—	—	—	20,192,	17,776,	21,817,
Current and overdue debt	—	—	—	—	—	—	49,562,
Deposit certificates (gold)	—	—	—	—	—	—	—
Total no interest	—	—	149,660,	244,366,	41,190,	422,535,	497,952,
Total debt	68,483,	267,541,	514,211,	721,669,	1,098,793,	1,222,114,	1,733,810,
<i>Amount, Interest Payable—</i>							
Gold	—	—	—	—	—	—	—
Paper	—	—	—	—	—	—	—

* On 2nd February, 1864, aggregate debt was \$1,473,225,714

States Debt.

[000's omitted.]

31st October, 1864.†	30th June, 1865.‡	31st December, 1865.	30th June, 1866.	31st December, 1866.	30th June, 1867.	31st December, 1867.	
\$	\$	\$	\$	\$	\$	\$	
27,022, 289,784, 14,146, 548,539, 81,680,	27,022, 303,613, 606,569, 172,770,	27,022, 301,985, 665,371, 172,770,	27,022, 306,869, 718,323, 171,219,	— 311,274, 891,125, 198,091,	— 311,927, 1,127,532, 198,431,	— 311,367, 1,373,805, 204,930,	<i>Debt Bearing Interest in Gold—</i> 5 per cent. 6 " " 7 " " (5-20s) 6 " " (10-40s) 5 " "
961,171,	1,109,974,	1,167,148,	1,223,423,	1,400,490,	1,637,891,	1,890,102,	Total at gold interest
76,668, 236,373, 1,611, 548, 45,990,	671,610, 115,772, — 89,717, —	830,000, 60,667, — 97,257, —	806,252, 26,391, — 120,176, —	676,857, — — — —	488,048, — — — —	238,268, — 23,265, — —	<i>Debt Bearing Interest in Paper—</i> 7 30 pr. ct. (3 yrs.) 6 " " certifi- cate indebted- ness 5 per cent. certifi- cate deposit 4 per cent. certifi- cate deposit 6 per cent. certifi- cate deposit 5 and 6 per cent. legal tender notes, 1 and 2 years 6 per cent. C. P. R. R. Bonds
222,849, —	236,095, 1,258,	188,549, 3,002,	162,466, 6,042,	144,901, 10,622,	122,394, 14,762,	46,245, 20,713,	Total at paper interest
584,039,	1,114,452,	1,179,475,	1,121,327,	832,380,	625,804,	328,491,	<i>Debt not Bearing Interest—</i> Demand notes (gold) Demand notes (legal tender) Demand notes (fractional) Current and over- due debt Deposit certificates (gold)
— 433,161, 20,725, 18,003, —	— 433,161, 25,006, — —	— 426,231, 26,001, 1,167, 7,288,	— 400,891, 27,071, — 10,714,	— 380,498, 28,733, 16,518, 16,443,	— 371,992, 28,307, 8,998, 19,207,	— 356,159, 31,598, 15,872, 20,105,	
471,889,	458,167,	460,687,	438,676,	442,192,	428,504,	423,733,	Total no interest
2,017,099,	2,682,593,	2,807,310,	2,783,426,	2,675,062,	2,692,199,	2,642,326,	Total debt
56,647, 28,667,	— —	68,031, 70,186,	— —	— —	— —	111,357, 19,331,	<i>Amount, Interest Payable—</i> Gold Paper

† On 31st March, 1865, the aggregate debt was \$2,366,955,077.

‡ The debt reached its maximum on the 31st August, 1865, \$2,846,021,742.

D.—*Average Premiums on Gold at New York in each Month.*

	1862.	1863.	1864.	1865.	1866.	1867.
January	3½	43	54	117	40	34
February.....	3½	60*	59	105	38	37
March.....	1½	50	64	75	30	35
April	1¼	51	75	51	27	36
May.....	3½	49	80	35	31	36
June	6	46	109	40	49	37
July.....	14½	31	155†	42	51	39
August	14½	26	155	43	48	41
September	17½	33	124	44	45	43
October	27	47	108	45	49	44
November	31	47	130	46	43	40
December	31	52	128	46	36	34
<i>Half-yearly Average—</i>						
January-June	3	50	73	70	36	36
July-December	22	39	133	44	45	40

* On 28th February, 71.

† Range in this month frequently 15 in a day, and on 1st July was from 125 to 185.

E.—*Exports from, and Imports into, the United States, 1856-66.*

[000's omitted.]

Year ending	Total Imports.	Total Exports, exclusive of Specie.		Specie Exported.	Total Exports.	Total Imports and Exports.
		Paper Values.	Specie Values.			
30th June, 1856....	\$ 314,640,	—	\$ 281,219,	\$ 45,745,	\$ 326,964,	\$ 641,604,
" '57....	360,890,	—	293,823,	69,137,	362,960,	723,850,
" '58....	282,613,	—	272,011,	52,633,	324,644,	607,257,
" '59....	338,768,	—	292,902,	63,887,	356,789,	695,557,
" '60....	362,166,	—	333,576,	66,546,	400,123,	762,289,
" '61....	286,598,	—	215,806,	28,165,	243,971,	530,569,
" '62....	275,357,	193,051,	= 192,761,	36,888,	229,649,	505,006,
" '63....	252,920,	258,967,	= 190,417,	63,392,	253,809,	506,729,
" '64....	329,563,	282,594,	= 149,098,	69,390,	218,488,	544,051,
" '65....	234,434,	282,349,	= 141,175,	54,348,	195,523,	429,957,
" '66....	437,640,	477,858,*	= 341,327,	86,044,	427,371,	865,011,

Note.—The director of the statistical bureau writes, the totals are not trustworthy for the period 1861-65 inclusive.

* Value of cotton \$281,385,223.

F.—Comparative Prices at New York on 3rd January in each Year.

	Average, 1856-61.	Average, 1862-65.	Average, 1866-68.	Percentage of Increase (+) or Decrease (—) 1862-65 over 1856-61.	Percentage of Increase (+) or Decrease (—) 1866-68 over 1856-61.
	\$.	\$.	\$.		
Ashes, pot, 100 lbs.	24·20	23·21	25·25	— 4·	+ 4·
„ pearl „	25·42	24·62	29·22	— 3·	+ 15·
<i>Bread Stuffs—</i>					
Wheat flour, State barrel	21·84	19·07	29·4	— 12·2	+ 34·9
„ Genesee „	33·17	27·95	43·7	— 15·65	+ 31·45
Cornmeal, Jersey „	14·	13·5	15·15	— 3·55	+ 8·1
Wheat, white, Genesee bushel	6·43	5·	8·6	— 21·87	+ 34·37
Oats, State „	1·82	1·99	2·05	+ 9·33	+ 12·55
Corn, old, Western „	3·11	2·9	2·88	— 6·75	— 7·5
Cotton, mid. upland lb.	·44	1·92	1·31	+ 336·4	+ 197·6
Fish, dry cod qtl.	15·25	15·14	22·6	— 75	+ 47·5
Hay, shipping 100 lbs.	3·47	3·15	3·15	— 9·25	+ 9·25
Hemp, rough American, ton	600·	840·	—	+ 40·	—
Iron, Scotch pig „	105·7	104·	128·8	— 1·1	+ 21·9
„ English bar „	232·	254·	313·	+ 9·5	+ 35·
Lead, Galena „	24·6	27·9	—	+ 13·4	—
Leather, hembock, sole, } light } lb.	1·	·84	·94	— 16·	— 6·
Leather, oak „	1·23	1·04	1·08	— 15·5	— 12·2
Lime, cor. rockland barrel	3·3	2·7	4·6	— 8·1	+ 39·3
Liquors, new cognac gal.	15·3	15·87	—	+ 3·7	—
„ Dom. whiskey, „	1·35	2·09	6·86	+ 54·65	+ 408·15
Molasses, New Orleans „	1·94	1·98	2·82	+ 2·5	+ 45·35
Oils, crude, whale „	2·5	2·45	3·5	— 2·	+ 40·
„ sperm „	5·5	4·7	7·08	— 14·5	+ 28·8
„ linseed „	2·63	3·36	3·7	+ 27·8	+ 40·75
<i>Provisions—</i>					
Pork, old mess barrel	67·35	55·56	67·6	— 17·5	+ 4
„ prime „	52·8	43·3	57·95	— 18·	+ 9·8
Beef, city mess „	39·8	29·45	51·9	— 26·	+ 13·4
„ hams, extra „	62·3	50·2	97·	— 19·4	+ 55·65
Hams, pickled lb.	·37	·26	·4	— 29·15	+ 8·1
Lard „	·43	·34	·4	— 20·9	— 7·
Butter, Ohio „	·7	·67	·96	— 4·3	+ 37·15
„ State „	·83	·78	1·33	— 6·	+ 60·25
Cheese „	·4	·34	·5	— 15·	+ 25·
Rice 100 lbs.	16·5	20·94	27·55	+ 26·9	+ 66·95
Salt, Liverpool, ground sack	3·55	3·93	2·93	+ 10·75	— 17·6
Sugar, Cuba, good lb.	·3	·27	·33	— 10·	+ 10·
Tallow „	·43	·33	·34	— 23·35	— 20·9
Wool, common fleece „	1·37	1·9	1·96	+ 38·7	+ 43·05
Average	—	—	—	+ 6·57	+ 36·97
„ (excluding cotton)	—	—	—	— 2·34	+ 32·26

Note.—1856-62, reduced at the rate of 4s. per dollar; 1863, gold at 133 at 3s. per dollar; 1864, gold at 154, at 2s. 8d. per dollar; 1865, gold at 226, at 1s. 9d. per dollar; 1866, gold at 142, at 2s. 10d. per dollar; 1867-68, gold at 133, at 3s. per dollar.